

Financial Statements

for the year ended 31 July 2006

QUEEN MARY AND WESTFIELD COLLEGE
(University of London)

In 2001 the College adopted a shortened version of its name, Queen Mary, University of London, but the legal title of the College remains unchanged.

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TREASURER'S REPORT

Scope of the Financial Statements

These are the consolidated statutory accounts of Queen Mary and Westfield College, University of London and its subsidiaries for the year ending 31 July 2006. Details of the group are listed within note 12.

Results for the Year

The College's consolidated Income and Expenditure results, together with the accumulated surplus for the years ended 31 July, are summarised as follows:

| | <u>Year to 31 July 2006</u> | <u>Year to 31 July 2005</u> |
|--|-----------------------------|-----------------------------|
| | £000 | £000 |
| Income | 191,676 | 174,744 |
| Expenditure | 194,330 | 174,869 |
| Historical cost (deficit)/surplus after taxation and minority interest | (2,611) | 127 |
| Accumulated income and expenditure account | 46,482 | 49,093 |

The College performed well but three significant factors contributed to the deficit we report this year of £2.6 million. Firstly, £1.1 million of accumulated balances of input VAT were written off in the year. Secondly, £2.1 million of grant for additional student numbers was held back; however, there will be no hold back in 2006/07 and baseline funding for subsequent years is restored. Thirdly, substantial further investment was made in all sectors of the College in continued preparation for the Research Assessment Exercise in 2008.

Higher Education Funding Council for England (HEFCE) Grants

HEFCE grants increased by almost 12% for the year, despite the claw back of £2.1 million (£1.4 million in 2005) of funding for additional student numbers on open and distance learning programmes. However, HEFCE agreed to re-phase the additional student numbers provided that the increase could be recruited onto core programmes. At the time of signing this report, the College has recruited sufficient students to avoid hold back of any grant in 2006/07.

We were also pleased that funding for research increased by £3.8 million; of this £0.8 million was transferred from teaching in respect of first year research students, but the remaining increase was largely attributable to recognition of the College's research that is sponsored by UK charities.

Academic Fees and Support Grants

Reflecting the College's growing reputation, income from student fees and support grants increased by over 15% to £37.6 million with growth in income from students charged overseas fees of £2.9 million. It is hoped that income from tuition fees will exceed £42 million in 2006/07.

Research Grants and Contracts

While there was some delay in the flow through of those awards which carry full economic costing, research income grew by 14% to £49.5 million and recovery of overheads increased by 28% to £7.6 million.

Staff Costs

Expenditure on staff increased by 8.5% to £115.1 million during the year following implementation of the annual pay award, migration to a new single pay spine with effect from 1 January 2006, and recruitment of further academic and support staff.

Other costs

Charges for depreciation increased by £2.4 million following completion of capital projects previously reported. Other operating expenditure grew by 12.6% to £71.2 million. Within this, as mentioned above, it was necessary to write off balances of input VAT that had accumulated but were, ultimately, ruled as unrecoverable by Her Majesty's Revenue and Customs.

Reserves and Cash Flow

The income and expenditure account reserves stood at £46.5 million at 31 July 2006. Net current liabilities totalled £0.1 million compared to net current assets of £7.7 million in the previous year. The decrease is due primarily to capital projects and receipt of research income in advance of work to be undertaken. Expenditure on phase 3 of the student village, new medical research facilities and other capital schemes have also led to borrowings increasing by £7.4 million. Further borrowing is planned in respect of new projects and to reverse the temporary financing of capital expenditure from working balances.

The College requests a minimum of 30 days payment credit from suppliers. This is stipulated in the terms and conditions that attach to standard orders. In 2006, 56% by value and 64 % by volume of creditors were paid within 30 days, compared to 72% and 66%, respectively, in 2005.

Capital Projects

£9.3 million of an £11.4 million project to construct phase 3 of the student village was incurred during the year, along with £8.8 million in respect of refurbishments of teaching and research facilities funded largely by capital grants from HEFCE. Plans are being developed for a major new Humanities and Social Sciences building at Mile End. It is good also to be able to report that the recently completed Lock Keeper's Cottage development at Mile End and the Blizzard Building at Whitechapel both received RIBA architectural merit awards.

Treasury Management and Investments

As at July 2006, endowment investments stood at £36.3 million, compared with £33.1 million a year earlier. Endowment assets are managed by Newton Investment Management Limited which was appointed in December 2001. We are pleased that the performance achieved by them since then is cumulatively 10 % ahead of target over the benchmark established for the fund. During the course of the year, a new investment strategy was implemented under which dependence upon equities and fixed interest was reduced to enable some diversification into hedge and property funds and private equity.

Staff

The College interacts with its staff at open meetings and other forums at which the key issues facing the Institution are discussed. The Education and Staff Development section works to maximise support and career development opportunities for all staff.

During the year, the College successfully implemented a new pay spine and grading structure in accordance with the National Pay Framework for higher education. Job evaluation is progressing in 2006/07.

Student Numbers

The number of students enrolled during the year increased from 10,708 in 2004/05 to 12,026 in 2005/06, with undergraduate applications for the 2006/07 year rising by a further 7.5%. This continues the above average growth pattern that started in 2002.

2006/07 and beyond

Council set a break even budget for 2006/07 and there is every indication that this is being matched by performance in the year. Student recruitment continues to buck national trends. Investment in research active staff continues as the College consolidates its position in the front rank of UK and world universities. Appointing the best staff is not only important for the RAE but is essential for continuing success in making research grant applications with full economic costing. It also provides for more research-led innovative teaching programmes that attract the best students.

The College is planning to generate surpluses of at least 3% per annum in order to ensure financial sustainability. While there are many risks facing the sector, including further national pay awards and appropriate funding of pensions, making adequate provision for bursaries, tightening in the market for international students and uncertainties with respect to the financial outcome of the RAE, we believe that the College is in an increasingly competitive position. The balance sheet is strong and we continue to plan and invest for the future, which we face with optimism.

As usual, warm thanks are due to all those who work for the College for their contribution to a successful year.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the College is to be proposed at the Council Meeting.

Charles Perrin
12th December 2006

STATEMENT OF CORPORATE GOVERNANCE AND RESPONSIBILITIES OF COUNCIL

The College endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life.

Constitution and Governing Body

The College is formed by a Charter of Incorporation. Its structure of governance is laid down in the instruments of its incorporation, namely the Charter and Statutes of the College as interpreted by the Ordinances of the College. The Charter and Statutes can only be amended by the Privy Council. The Ordinances may be amended by the College Council.

The Charter establishes the College's Council and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Council is the executive governing body, responsible for the finance, property and staffing of the College. It is specifically required to determine the educational character and mission of the College and to set its general strategic direction.

The Council has a majority of external members, chosen in line with criteria contained in the Statutes. These provide for some of the external members to be nominated by specified external bodies (such as the University of London), and for ten external members to be co-opted by the Council itself. The Council has established a Nominations Committee, with a majority of external members, to recommend such co-options.

The Chairman of the 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 two student representatives. No members of the Council, apart from staff members, receive any remuneration for the work which they do for the College.

The Council of the College conducted a review of its effectiveness during 2005/06. The working party set up to review this effectiveness concluded that Council was properly fulfilling its statutory duties with regard to corporate governance and oversight of the strategic development of the College; it also concluded that there were certain subsidiary functions appropriate to governing bodies that Council could fulfil more effectively if it had increased support from its committee structure. As a result two new Council committees, the Chairman's Committee and the Student Affairs Committee were established, while the terms of reference of other Council committees were reviewed and in some instances modified.

Subject to the overall responsibility of the Council, the Academic Board has oversight of the academic affairs of the College and draws its membership entirely from the staff and students of the College, with a majority of academic staff representatives. It is particularly concerned with issues relating to academic policy, and the teaching and research work of the College.

The Role of the Principal

The Principal, as chief executive officer, is the head of the College. He has a general responsibility to the Council for the organisation, direction and management of the College. Under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council for England (HEFCE), the Principal is the designated officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

As chief executive, the Principal exercises considerable influence upon the development of College strategy, the identification and planning of new developments and the shaping of the College ethos. Members of the senior executive, currently the Principal, the Senior Vice-Principal; the Warden, the four Vice-Principals, the Director of Resources, the Director of Human Resources, the Director of Corporate Affairs, and the Secretary to Council, all contribute in various ways to this aspect of the work but the ultimate responsibility to the Council rests with the Principal.

College Committees

Although the Council meets at least four times in each academic year, much of its detailed work is handled initially by committees, in particular the Finance and Staff Policy Committees, and by the Information Services and Research Boards. The categories of membership of the Finance Committee and Staff Policy Committee are laid down by Ordinance, and the Nominations Committee is responsible for recommending appointments to the Council.

The Audit and Compliance Committee meets at least three times a year. It is responsible for the internal audit process and considers reports and recommendations for the improvement of the College's systems of internal control and risk management. It also receives reports from the external auditors on the results of their work and reviews the annual financial statements on behalf of the Council.

The decisions of all of these committees are reported formally to the Council.

Responsibilities of the Council

The College maintains a Register of Interests of members of the Council and of members of the senior executive which may be consulted by arrangement with the Secretary to Council.

In accordance with the Statutes of the College the Secretary to Council provides independent advice on matters of governance to all Council members.

In accordance with the College's Charter of Incorporation, the Council is responsible for the administration and management of the affairs of the College, including ensuring an effective system of internal control.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the College's Charter of Incorporation, 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 the College, the Council, through its designated office holder, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College 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.

The Council, through its designated officer, the 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 Financial Memorandum 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 the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal 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 Audit and Compliance Committee and Council;
- internal audit carried out by an external firm of auditors. The programme is approved by the Audit and Compliance Committee.
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast out-turn.

Internal Controls

The Council has established processes to comply with the revised direction from HEFCE for the identification, evaluation and management of risks the College 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 the College's internal control and risk management policy:

- As the Council of the College, 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 are responsible, in accordance with the responsibilities assigned to the Council in the Charter and the Financial Memorandum 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 Compliance Committee concerning internal control. The appropriate committees of the Council receive reports from senior executives on the steps the College is taking to manage risks in their areas of responsibility, including progress reports on key projects.

- During the year under review the College has:
 - a. ensured that the risk monitoring and diagnostic mechanisms are properly integrated, with the review of a Major Risks Register;
 - b. extended the programme of risk awareness training.
- The institution procures its internal audit service from Deloitte & Touche Limited, 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 the College 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 Compliance Committee. At least annually the head of internal audit provides the Audit and Compliance Committee with a report on internal audit activity in the College. The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of the College'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 the institution 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.

REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE COUNCIL OF QUEEN MARY AND WESTFIELD COLLEGE

We have audited the financial statements on pages 8 to 27, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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

Respective Responsibilities of the College's Council and the auditors

The College's Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with Higher Education Funding Council for England.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the College has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and the corporate governance statement and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the group circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement and have evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the College and the group as at 31 July 2006 and of the group's deficit of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- in all material respects, income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2006 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the College's statutes and, where appropriate, with the Financial Memorandum (03/54) with Higher Education Funding Council for England.

KPMG LLP

12th December 2006

*Chartered Accountants
Registered Auditor
1 Forest Gate
Brighton Road
Crawley, West Sussex
RH11 9PT*

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the College's financial statements.

1 Basis of Preparation

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

2 Basis of Consolidation

The financial statements consolidate the financial statements of the College and its subsidiary and associated undertakings for the financial year ended 31 July 2006.

The consolidated income and expenditure account includes the College's consolidated share of profits, losses and taxation of subsidiary and associated undertakings. The consolidated balance sheet includes the College's consolidated share of their underlying net tangible assets.

Details of the investments made in these companies are presented in note 12.

The consolidated financial statements do not include those of the Queen Mary and Westfield College Students Union or of subsidiaries or associates with immaterial results, assets or liabilities (Apatech Limited), or that are dormant at 31 July 2006 (refer note 12).

The results of the Students Union are not consolidated because it is an independent association with separate control.

3 Recognition of Income

- (i) Income from sponsored research grants and contracts is included to the extent of direct expenditure incurred during the year plus recoverable overheads. Unspent balances are carried forward.
- (ii) Investment income, including the net surplus on realisation of investments, is credited direct to the funds concerned, deposit interest receivable being accounted for on an accruals basis.
- (iii) Income from specific endowments and donations is included to the extent of expenditure incurred during the year together with any related contributions towards indirect costs.

4 Pension Schemes

As described in note 26, the College is a member of defined benefit pension schemes. The schemes are multi-employer schemes where the share of assets and liabilities attributable to each employer are not identified. The College 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.

The College is not a member of any defined contribution schemes which incur costs or liabilities other than the defined contributions themselves.

5 Foreign Currencies

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.

6 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased asset at inception of the lease less depreciation. 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 period.

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

7 Land and Buildings

Land and buildings purchased through capital grants, loans, donations and general revenue account have been included in the accounts at cost, less depreciation. Cost comprises the cost of land, buildings, development costs and the capital element of expenditure incurred in respect of estate improvement.

Depreciation on buildings is calculated at 2% per annum on opening balances.

No provision for depreciation is made against the value of land.

Assets in the course of construction are stated at cost and are not depreciated, and are transferred to completed buildings when ready for use. They are then stated at cost, less depreciation. Where it is considered that there has been any impairment in value, this is provided for accordingly.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income in line with the depreciation charge.

The College has applied the transitional rules, contained in Financial Reporting Standard 15, *Tangible Fixed Assets*, to retain the previous valuations as the basis on which certain of these assets are held.

8 Equipment

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. Capitalised equipment is depreciated over five to eight years if the cost is greater than £500,000 and over three years if the cost is less than £500,000.

9 Investments

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

10 Stocks

The Balance Sheets include the value of stocks in the refectories and central and department stores. Stocks are stated at the lower of cost and net realisable value.

11 Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the College's treasury management activities, but exclude any such assets held as endowment asset investments.

12 Maintenance of Premises

The cost of routine maintenance is charged to the income and expenditure account in the period it is incurred. The College has a long-term planned maintenance programme which is reviewed on an annual basis. Actual expenditure on planned maintenance is charged to the income and expenditure account in the period in which it is incurred.

The College's buildings include many that have been constructed recently, as well as older buildings which may require major refurbishment and conversion over the next few years.

13 Unspent Balances

Funds allocated to departments which are not utilised in the year are included in the surplus or deficit arising on the Income and Expenditure Account for that year.

14 Taxation Status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College is registered for Value Added Tax but is unable to recover input tax incurred on the majority of its expenditure, most education and research being exempt activities under VAT legislation.

In the subsidiary companies deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the Balance Sheet date, except as otherwise required by FRS19.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2006

| | Note | 2006 | 2005 |
|---|------|----------------|----------------|
| | | £000 | £000 |
| Income | | | |
| HEFCE grants | 1 | 72,348 | 64,713 |
| Academic fees and support grants | 2 | 37,600 | 32,505 |
| Research grants and contracts | 3 | 49,498 | 43,322 |
| Other operating income | 4 | 30,440 | 32,381 |
| Endowment income and interest receivable | 5 | 1,790 | 1,823 |
| | | <hr/> | <hr/> |
| Total income | | 191,676 | 174,744 |
| | | <hr/> | <hr/> |
| Expenditure | | | |
| Staff costs | 6 | 115,086 | 106,077 |
| Depreciation | 11 | 7,216 | 4,779 |
| Other operating expenses | 7 | 71,160 | 63,199 |
| Interest payable | 8 | 868 | 814 |
| | | <hr/> | <hr/> |
| Total expenditure | 9 | 194,330 | 174,869 |
| | | <hr/> | <hr/> |
| (Deficit)/Surplus for the year after depreciation of assets at valuation and before tax | | (2,654) | (125) |
| Surplus on sale of tangible assets | | — | — |
| (Deficit)/Surplus for the year before taxation | | (2,654) | (125) |
| Taxation | 10 | 20 | 29 |
| | | <hr/> | <hr/> |
| (Deficit)/Surplus for the year after depreciation of assets at valuation and tax | | (2,634) | (96) |
| Minority interest | | (166) | (10) |
| Associates | | 2 | 41 |
| Retained (Deficit)/Surplus for the year | 31 | (2,798) | (65) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Note of historical cost surpluses | | | |
| (Deficit)/Surplus for the year before taxation | | (2,654) | (125) |
| Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount | 19 | 187 | 192 |
| | | <hr/> | <hr/> |
| Historical cost (deficit)/surplus for the period before taxation | | (2,467) | 67 |
| | | <hr/> | <hr/> |
| Retained historical cost (deficit)/surplus after taxation and minority interest | | (2,611) | 127 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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

The notes on pages 14 to 27 form part of these financial statements

BALANCE SHEET AS AT 31 JULY 2006

| | Note | Consolidated | | College | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2006 £000 | 2005 £000 | 2006 £000 | 2005 £000 |
| Fixed assets | | | | | |
| Tangible assets | 11 | 259,646 | 231,648 | 269,278 | 243,874 |
| Investments | 12 | 256 | 94 | 3,730 | 3,568 |
| | | <u>259,902</u> | <u>231,742</u> | <u>273,008</u> | <u>247,442</u> |
| Endowment asset investments | 13 | 36,275 | 33,145 | 36,275 | 33,145 |
| Current assets | | | | | |
| Stocks | | 432 | 488 | 163 | 167 |
| Debtors | 14 | 26,222 | 33,251 | 27,765 | 33,204 |
| Investments | | 5,444 | 5,285 | 5,444 | 5,285 |
| Cash at bank and in hand | | 2,989 | 2,613 | 1,389 | 2,365 |
| | | <u>35,087</u> | <u>41,637</u> | <u>34,761</u> | <u>41,021</u> |
| Creditors: amounts falling due within one year | 15 | (36,958) | (33,897) | (38,996) | (36,478) |
| Net current (liabilities)/assets | | <u>(1,871)</u> | <u>7,740</u> | <u>(4,235)</u> | <u>4,543</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 294,306 | 272,627 | 305,048 | 285,130 |
| Creditors: amounts falling due after more than one year | 16 | (47,069) | (39,632) | (47,069) | (39,632) |
| NET ASSETS | | <u>247,237</u> | <u>232,995</u> | <u>257,979</u> | <u>245,498</u> |
| Deferred capital grants | 17 | 150,476 | 136,732 | 149,100 | 136,732 |
| Endowments | 18 | 36,275 | 33,144 | 36,275 | 33,145 |
| Reserves | | | | | |
| Revaluation reserve | 19 | 13,668 | 13,855 | 13,668 | 13,855 |
| Income and expenditure account | | 46,482 | 49,093 | 58,936 | 61,766 |
| Total Reserves | | <u>60,150</u> | <u>62,948</u> | <u>72,604</u> | <u>75,621</u> |
| Minority interest | | 336 | 170 | — | — |
| TOTAL | | <u>247,237</u> | <u>232,995</u> | <u>257,979</u> | <u>245,498</u> |

Approved by Council on 12th December 2006 and signed on its behalf byDR C BOWE
ChairmanPROF A F M SMITH
Principal

The notes on pages 14 to 27 form part of these financial statements

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2006

| | Note | 2006 | 2005 |
|--|------|---------------|---------------|
| | | £000 | £000 |
| (Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and tax | | (2,798) | (65) |
| Add | | | |
| Revaluation of endowment investments | 13 | 2,752 | 4,726 |
| Endowment income retained/new endowments | | 378 | 879 |
| Total recognised gains relating to the year | | <u>332</u> | <u>5,540</u> |
| Reconciliation | | | |
| Opening reserves and endowments | | 96,093 | 90,553 |
| Total recognised gains and losses relating to the year | | <u>332</u> | <u>5,540</u> |
| Closing reserves and endowments | | <u>96,425</u> | <u>96,093</u> |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2006

| | <u>Note</u> | <u>2006</u> £000 | <u>2005</u> £000 |
|--|-------------|---------------------|---------------------|
| Net cash inflow /(outflow) from operating activities | 21 | 8,945 | (4,754) |
| Returns on investments and servicing of finance | 22 | 904 | 839 |
| Taxation | | 20 | — |
| Associates | | 2 | — |
| Capital expenditure and financial investment | 23 | (16,503) | (12,981) |
| Financing | 24 | 7,437 | 7,840 |
| Increase /(Decrease) in cash | 25 | <u>805</u> | <u>(9,056)</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | | |
|--|---------------|----------------|
| Increase /(Decrease) in cash in the period | 805 | (9,056) |
| Change in net funds | <u>805</u> | <u>(9,056)</u> |
| Net Funds at 1 August | 11,933 | 20,989 |
| Net Funds at 31 July | <u>12,738</u> | <u>11,933</u> |

NOTES TO THE FINANCIAL STATEMENTS

1 Funding Council Grants

| | <u>Note</u> | <u>2006</u> | <u>2005</u> |
|---|-------------|---------------|---------------|
| | | £000 | £000 |
| Recurrent grant | | 62,996 | 57,840 |
| Specific grants | | | |
| Continuing education | | 89 | 128 |
| Other | | 4,946 | 4,019 |
| | | <u>5,035</u> | <u>4,147</u> |
| Deferred capital grants released in year | | | |
| Buildings | 17 | 2,545 | 1,718 |
| Equipment | 17 | 1,772 | 1,008 |
| | | <u>72,348</u> | <u>64,713</u> |

2 Tuition fees and education contracts

| | | | |
|--|--|---------------|---------------|
| Full-time students | | 11,536 | 10,116 |
| Full-time students charged overseas fees | | 22,687 | 19,827 |
| Part-time students | | 1,760 | 1,383 |
| Research training support grants | | 57 | 123 |
| Short course fees | | 1,018 | 686 |
| Other fees and support grants | | 542 | 371 |
| | | <u>37,600</u> | <u>32,505</u> |

3 Research grants and contracts

| | | | |
|--|----|---------------|---------------|
| Research councils | | 14,259 | 10,366 |
| UK central government bodies | | 4,272 | 3,599 |
| UK industry and commerce | | 2,647 | 2,786 |
| UK-based charitable and health bodies | | 20,616 | 19,849 |
| European Community | | 3,039 | 2,825 |
| Other overseas countries | | 1,345 | 1,987 |
| Other | | 2,796 | 1,470 |
| Deferred capital grants released in year | 17 | 524 | 440 |
| | | <u>49,498</u> | <u>43,322</u> |

4 Other operating income

| | | | |
|--------------------------------------|--|---------------|---------------|
| Residences, catering and conferences | | 9,776 | 9,703 |
| Other services rendered | | 4,337 | 4,577 |
| Health authorities | | 11,008 | 11,703 |
| Other income | | 5,319 | 6,398 |
| | | <u>30,440</u> | <u>32,381</u> |

5 Endowment income and interest receivable

| | Note | 2006 £000 | 2005 £000 |
|--------------------------------------|------|--------------|--------------|
| Transferred from specific endowments | 18 | 1,028 | 1,012 |
| Interest receivable | | <u>762</u> | <u>811</u> |
| | | <u>1,790</u> | <u>1,823</u> |

6 Staff

Staff costs:

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 95,681 | 88,222 |
| Social security costs | 8,636 | 7,971 |
| Other pension costs | 10,769 | 9,884 |
| | <u>115,086</u> | <u>106,077</u> |

Emoluments of the Principal

| | | |
|-------------------|-----|-----|
| Basic salary | 172 | 154 |
| London allowance | — | — |
| Special allowance | 8 | 8 |
| Benefits in kind | — | — |

The emoluments of the Principal are shown on the same basis as for higher paid staff. The College's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £25,252 (2005 £22,697).

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

Remuneration of other higher-paid staff

Excluding employer's pension contributions and payments made on behalf of the NHS in respect of its contractual obligations to College Staff, in bands of £10,000 from a starting point of £70,001.

| | 2006 Number of staff | 2005 Number of staff |
|---------------------|-------------------------|-------------------------|
| £70,001 — £80,000 | 50 | 28 |
| £80,001 — £90,000 | 33 | 16 |
| £90,001 — £100,000 | 17 | 15 |
| £100,001 — £110,000 | 12 | 13 |
| £110,001 — £120,000 | 14 | 10 |
| £120,001 — £130,000 | 9 | 7 |
| £130,001 — £140,000 | 4 | 8 |
| £140,001 — £150,000 | 7 | 7 |
| £150,001 — £160,000 | 5 | 4 |
| £160,001 — £170,000 | 3 | 10 |
| £170,001 — £180,000 | — | 6 |
| £180,001 — £190,000 | 1 | 2 |
| £190,001 — £200,000 | 2 | 2 |
| £200,001 — £210,000 | — | 2 |
| £240,001 — £250,000 | — | 1 |
| £280,001 — £290,000 | — | 1 |

With regard to the year ending 31 July 2005, a pay settlement that was back dated to April 2003 for staff on National Health Service terms and conditions resulted in an increase in the number of staff appearing in this note. No redundancy payments were made to higher-paid staff in the year to 31 July 2006. (2005: £182,000).

NOTES TO THE FINANCIAL STATEMENTS continued

6 Staff continued

Average number of employees by category

| | 2006 | 2005 |
|----------------------------|--------------|--------------|
| Academic and Clinical | 1,302 | 1,234 |
| Administration | 478 | 439 |
| Technical | 162 | 162 |
| Other (including Clerical) | 679 | 690 |
| | <u>2,621</u> | <u>2,525</u> |

7 Other operating expenses

| | 2006 | 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Residences, catering and conferences operating expenses | 4,220 | 4,225 |
| Consumables and laboratory expenditure | 18,118 | 16,806 |
| Equipment | 3,802 | 2,453 |
| Books and periodicals | 1,876 | 1,720 |
| Fellowships, scholarships, prizes, and studentships | 11,358 | 10,222 |
| Heat, light, water and power | 1,877 | 1,605 |
| Repairs and general maintenance | 975 | 2,957 |
| Rent, rates and insurance | 2,261 | 1,488 |
| Other premises costs | 2,139 | 1,737 |
| Provision for doubtful debts | (244) | (161) |
| Grant to Students Union | 658 | 998 |
| Auditors' remuneration | 73 | 99 |
| Auditors' remuneration in respect of non-audit services | 5 | 28 |
| Severance costs and pensions | 605 | 346 |
| University of London central charges | 907 | 941 |
| Professional and other fees | 3,944 | 1,637 |
| Conferences, travel and training | 4,081 | 2,377 |
| Non-established staff expenses | 8,768 | 8,005 |
| Other expenses * | 5,737 | 5,716 |
| | <u>71,160</u> | <u>63,199</u> |

* Includes £74,135 in respect of Internal Audit fees (2005 £112,345)

NOTES TO THE FINANCIAL STATEMENTS continued

8 Interest payable

| | <u>2006</u> | <u>2005</u> |
|--------------------------------------|-------------------|-------------------|
| | £000 | £000 |
| On loans repayable within five years | <u>868</u> | <u>814</u> |
| | <u><u>868</u></u> | <u><u>814</u></u> |

9 Analysis of 2006 expenditure by activity

| | <u>Note</u> | <u>Staff Costs</u> | <u>Depre- ciation</u> | <u>Other operating Costs</u> | <u>Interest Payable</u> | <u>2006 Total</u> | <u>2005 Total</u> |
|---|-------------|------------------------|---------------------------|--------------------------------------|-----------------------------|-----------------------|-----------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Academic departments | | 68,276 | 1,976 | 20,243 | — | 90,495 | 81,815 |
| Academic services | | 6,033 | 346 | 4,435 | — | 10,814 | 9,755 |
| Research grants and contracts | | 21,853 | 524 | 19,499 | — | 41,876 | 37,371 |
| Residences, catering and conferences | | 2,370 | 745 | 4,220 | — | 7,335 | 6,630 |
| Premises | | 4,204 | 3,480 | 7,412 | 854 | 15,950 | 15,464 |
| Administration | | 10,015 | 112 | 12,256 | — | 22,383 | 18,711 |
| Other | | 2,335 | 33 | 3,095 | 14 | 5,477 | 5,123 |
| Total per income and expenditure account | | <u>115,086</u> | <u>7,216</u> | <u>71,160</u> | <u>868</u> | <u>194,330</u> | <u>174,869</u> |
| Total for year ended 31 July 2005 | | <u>106,077</u> | <u>4,779</u> | <u>63,199</u> | <u>814</u> | <u>174,869</u> | |

The depreciation charge has been funded by:

| | | |
|----------------------------------|----|---------------------|
| Deferred capital grants released | 17 | 4,841 |
| Revaluation reserve released | 19 | 187 |
| General Income | | <u>2,188</u> |
| | | <u><u>7,216</u></u> |

10 Taxation

UK Corporation tax at 30% (30% in 2005) on the profits of Retroscreen Virology Limited

| <u>2006</u> | <u>2005</u> |
|-------------|-------------|
| £000 | £000 |
| <u>(20)</u> | <u>(29)</u> |

The tax credit arises due to a Research and Developments tax credit claim in Retroscreen Virology Ltd. The Council does not believe that the College is liable for any corporation tax arising out of its activities during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

11 Tangible Assets

| | Land and Buildings | | | | |
|-----------------------|--------------------|----------------|----------------------------------|-----------|----------|
| | Freehold | Long Leasehold | Assets in course of construction | Equipment | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Consolidated | | | | | |
| Cost | | | | | |
| At 1 August 2005 | 211,815 | 34,476 | 5,291 | 29,747 | 281,329 |
| Transfers | 20,786 | — | (20,786) | — | — |
| Additions at cost | 17 | — | 30,654 | 4,543 | 35,214 |
| Disposals at cost | — | — | — | — | — |
| At 31 July 2006 | 232,618 | 34,476 | 15,159 | 34,290 | 316,543 |
| Depreciation | | | | | |
| At 1 August 2005 | (20,206) | (7,574) | — | (21,901) | (49,681) |
| Charge for the year | (3,673) | (538) | — | (3,005) | (7,216) |
| Disposals | — | — | — | — | — |
| At 31 July 2006 | (23,879) | (8,112) | — | (24,906) | (56,897) |
| Net book value | | | | | |
| At 31 July 2006 | 208,739 | 26,364 | 15,159 | 9,384 | 259,646 |
| Net book value | | | | | |
| At 1 August 2005 | 191,609 | 26,902 | 5,291 | 7,846 | 231,648 |
| College | | | | | |
| Cost | | | | | |
| At 1 August 2005 | 224,119 | 34,476 | 5,293 | 29,341 | 293,229 |
| Transfers | 20,167 | — | (20,167) | — | — |
| Additions at cost | — | — | 28,486 | 4,106 | 32,592 |
| Disposals at cost | — | — | — | — | — |
| At 31 July 2006 | 244,286 | 34,476 | 13,612 | 33,447 | 325,821 |
| Depreciation | | | | | |
| At 1 August 2005 | (20,203) | (7,574) | — | (21,578) | (49,355) |
| Charge for the year | (3,670) | (538) | — | (2,980) | (7,188) |
| Disposals | — | — | — | — | — |
| At 31 July 2006 | (23,873) | (8,112) | — | (24,558) | (56,543) |
| Net book value | | | | | |
| At 31 July 2006 | 220,413 | 26,364 | 13,612 | 8,889 | 269,278 |
| Net book value | | | | | |
| At 1 August 2005 | 203,916 | 26,902 | 5,293 | 7,763 | 243,874 |

Land and Buildings – Freehold includes land with a cost of £7,515k (College £19,829k) which is not depreciated.

11 Tangible Assets - Land and Buildings continued

Included in freehold land and buildings are the Engineering, Maths, IT, Computer Science, Students Union, Biology and Nursery Buildings which are an integral part of the Mile End campus but occupy land leased from the St Luke's Parochial Trust. The freehold to this land was acquired by the College on 1 December 2006 (see note 32).

The College also occupies certain premises with an estimated net usable floor space of 7,569 square metres in and near the vicinity of St Bartholomew's Hospital which is owned and leased by other bodies and for which no annual or nominal rental payment is made. It is considered impracticable to place a value on the beneficial occupation of these premises whilst discussions with The Barts and Royal London NHS Trust regarding formalisation of occupancy terms are in process. In addition, the College occupies premises for which no formal rental is paid although a contribution is made to the maintenance and running costs of these premises.

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 the College for a term of 26 years from 16 December 1999. The rent reserved is one peppercorn per annum plus an annual rent equal to the rents received from the sub-tenancies.

Freehold buildings and assets in the course of construction include £26,613,138 (2005 £26,464,307) net book value in respect of assets under finance leases. The depreciation charge in respect of these assets is £532,263 (2005 £Nil).

12 Fixed Asset Investments

| | Consolidated | | College | |
|--|--------------|-----------|--------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Investment in subsidiary companies at cost | — | — | 3,517 | 3,515 |
| Investments in associates | 43 | 41 | — | — |
| Other Investments | 213 | 53 | 213 | 53 |
| | <u>256</u> | <u>94</u> | <u>3,730</u> | <u>3,568</u> |

The College holds directly the following shares in subsidiary and associated companies:

| | Country of Registration | Equity Holding | Proportion held | Principal Activity |
|--|-------------------------|----------------|-----------------|--------------------------------------|
| Broadmast Limited | England | Ordinary | 100.00% | Non Trading |
| Nanoforce Technology Limited | England | Ordinary | 100.00% | Micro and Nanotechnology facility |
| QMC Industrial Research Limited | England | Ordinary | 100.00% | Holding Company |
| QMC Industrial Research Limited | England | Preference | 100.00% | Holding Company |
| QMW Public Policy Seminars Limited | England | Ordinary | 69.90% | Non Trading |
| Queen Mary Innovation Limited | England | Ordinary | 100.00% | Developing Innovation Centre |
| Queen Mary Research Laboratories (Macau) Limited | Macau | Ordinary | 48.00% | Smart Antennas for wireless networks |
| Vaxome Limited | England | Ordinary | 33.00% | Intellectual Property |
| William Harvey Research Limited | England | Ordinary | 40.00% | Research |

QMC Industrial Research Limited holds directly the following shares in subsidiary and associated companies:

| | Country of Registration | Equity Holding | Proportion held | Principal Activity |
|--------------------------|-------------------------|----------------|-----------------|------------------------------|
| Abonetics 2000 Limited | England | Ordinary | 50.00% | Intellectual Property |
| Abonetics 2000 Limited | England | Preference | 100.00% | Intellectual Property |
| Agent Tel Limited | England | Ordinary | 100.00% | Dormant |
| Apriorie Limited | England | Ordinary | 50.00% | Intellectual Property |
| CCLS Services Limited | England | Ordinary | 100.00% | Intellectual Property Rights |
| Expert Engineering Ltd | England | Ordinary | 100.00% | Engineer consultancy |
| Q-Flow Limited | England | Ordinary | 100.00% | Dormant |
| QMW Developments Limited | England | Ordinary | 100.00% | Property Development |

NOTES TO THE FINANCIAL STATEMENTS continued

12 Fixed Asset Investments continued

| | | | | |
|--|---------|----------|---------|--------------------------------------|
| QMW Public Policy Seminars Limited | England | Ordinary | 30.10% | Non Trading |
| Queen Mary Research Laboratories (Macau) Limited | Macau | Ordinary | 52.00% | Smart Antennas for wireless networks |
| Retroscreen Virology Limited | England | Ordinary | 57.89% | Virology Research* |
| Stealthyx Therapeutics Limited | England | Ordinary | 42.00% | Intellectual Property |
| TMS Technologies International Limited | England | Ordinary | 100.00% | Dormant |

* On the 23rd August 2006, IP Group Plc invested £1,000,000 in Retroscreen Virology Limited for 51,133 ordinary shares. This had the effect of diluting QMC Industrial Research Limited's shareholding to 41.85% of the Company.

Other Investments

In 1995/96 53,186 shares were purchased in CVCP Properties Ltd, representing 1.27% of the issued share capital.

QMC Industrial Research Limited holds 2,250,000 ordinary shares in Apatech Limited, representing 16.82% of the share capital.

QMC Industrial Research Limited holds 24,500 ordinary shares in Phosponics Limited, representing 10.17% of the share capital.

13 Endowment asset investments

| | Consolidated | | College | |
|--|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Balance at 1 August | 33,145 | 27,540 | 33,145 | 27,540 |
| Additions | 20,940 | 7,283 | 20,940 | 7,283 |
| Disposals | (20,562) | (6,404) | (20,562) | (6,404) |
| Appreciation on disposals/revaluations | 2,752 | 4,726 | 2,752 | 4,726 |
| Balance at 31 July | <u>36,275</u> | <u>33,145</u> | <u>36,275</u> | <u>33,145</u> |
| Represented by: | | | | |
| Fixed interest stocks | 3,672 | 5,860 | 3,672 | 5,860 |
| Equities | 21,037 | 23,250 | 21,037 | 23,250 |
| Property investment trusts and shares | 3,746 | — | 3,746 | — |
| Hedge Funds | 3,515 | — | 3,515 | — |
| Bank balances | 4,305 | 4,035 | 4,305 | 4,035 |
| | <u>36,275</u> | <u>33,145</u> | <u>36,275</u> | <u>33,145</u> |
| Fixed interest, Equities, Property and Hedge Funds at cost | <u>27,635</u> | <u>23,722</u> | <u>27,635</u> | <u>23,722</u> |

14 Debtors

| | Consolidated | | College | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Research grants/contracts | 15,568 | 15,165 | 15,568 | 15,165 |
| Other debtors | 8,807 | 16,546 | 7,143 | 15,357 |
| Amounts owed by subsidiaries | — | — | 3,436 | 1,096 |
| Prepayments and accrued income | 1,847 | 1,540 | 1,618 | 1,586 |
| | <u>26,222</u> | <u>33,251</u> | <u>27,765</u> | <u>33,204</u> |

NOTES TO THE FINANCIAL STATEMENTS continued

15 Creditors : amounts falling due within one year

| | Consolidated | | College | |
|--|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts | 873 | 1,312 | 873 | 1,312 |
| Finance leases | 520 | 908 | 520 | 908 |
| Social security and other taxation payable | 2,901 | 2,617 | 2,897 | 2,602 |
| Research grants/contracts in advance | 17,015 | 14,103 | 17,015 | 14,103 |
| Other creditors and credit balances | 6,044 | 5,870 | 5,704 | 5,765 |
| Deferred grants | 3,109 | 2,744 | 2,839 | 2,744 |
| Accruals and deferred income | 6,496 | 6,343 | 6,115 | 6,654 |
| Amounts owed to subsidiaries | — | — | 3,033 | 2,390 |
| | <u>36,958</u> | <u>33,897</u> | <u>38,996</u> | <u>36,478</u> |

16 Creditors: amounts falling due after more than one year

| | Consolidated | | College | |
|----------------|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Bank loan | 22,546 | 14,760 | 22,546 | 14,760 |
| Finance leases | 24,523 | 24,872 | 24,523 | 24,872 |
| | <u>47,069</u> | <u>39,632</u> | <u>47,069</u> | <u>39,632</u> |

Additional disclosure required for bank loan

| | Consolidated | | College | |
|--|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| The bank loan is repayable as follows: | | | | |
| In one year or less | 873 | 1,312 | 873 | 1,312 |
| Between one and two years | 1,091 | 1,312 | 1,091 | 1,312 |
| Between two and five years | 3,272 | 3,936 | 3,272 | 3,936 |
| In five years or more | 18,183 | 9,512 | 18,183 | 9,512 |
| Total | <u>23,419</u> | <u>16,072</u> | <u>23,419</u> | <u>16,072</u> |

The College has two bank loans with the Royal Bank of Scotland at an interest rate of 0.25% above 3, 6 or 12 month LIBOR. The first loan is repayable by instalments falling due between 30 June 2005 and 31 December 2029 totalling £16,400,000 and is secured on phases 1 and 2 of the student village residence at Mile End. The second loan is facility for £10 million repayable by instalments commencing on 30 June 2007 and concluding on 31 December 2029 and is secured upon phase 3 of the student village. As at 31 July 2006, £7,765,000 of this facility had been drawn down. On 22 November 2002, the College put in place a free-standing amortising swap for £28.2 million at an interest rate of 5.22% that expires on 29 December 2029

NOTES TO THE FINANCIAL STATEMENTS continued

16 Creditors: amounts falling due after more than one year continued

Additional disclosure required for finance lease

| | Consolidated | | College | |
|--|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| The finance lease is repayable as follows: | | | | |
| In one year or less | 520 | 908 | 520 | 908 |
| Between one and two years | 268 | 499 | 268 | 499 |
| Between two and five years | (167) | 232 | (167) | 232 |
| In five years or more | 24,422 | 24,141 | 24,422 | 24,141 |
| Total | 25,043 | 25,780 | 25,043 | 25,780 |

17 Deferred Capital Grants

| | Note | Consolidated and College | | Total |
|---|------|--------------------------|-------------------------------|----------------|
| | | HEFCE | Other grants and benefactions | |
| | | £000 | £000 | £000 |
| At 1 August 2005 | | | | |
| Buildings | | 115,314 | 11,919 | 127,233 |
| Assets in the course of construction | | 2,264 | — | 2,264 |
| Equipment | | 5,574 | 1,661 | 7,235 |
| Total | | 123,152 | 13,580 | 136,732 |
| Cash received | | | | |
| Buildings | | — | — | — |
| Assets in the course of construction | | 11,333 | 1,214 | 12,547 |
| Equipment | | 4,425 | 1,613 | 6,038 |
| Total | | 15,758 | 2,827 | 18,585 |
| Released to Income and Expenditure | | | | |
| Buildings | 1 | (2,545) | — | (2,545) |
| Equipment | 1,3 | (1,772) | (524) | (2,296) |
| Total | | (4,317) | (524) | (4,841) |
| Transfers | | | | |
| Buildings | | 12,202 | 1,064 | 13,266 |
| Assets in the course of construction | | (12,202) | (1,064) | (13,266) |
| Total | | — | — | — |
| At 31 July 2006 | | | | |
| Buildings | | 124,971 | 12,983 | 137,954 |
| Assets in the course of construction | | 1,395 | 150 | 1,545 |
| Equipment | | 8,227 | 2,750 | 10,977 |
| Total | | 134,593 | 15,883 | 150,476 |

NOTES TO THE FINANCIAL STATEMENTS continued

18 Endowments

| | Consolidated and College | |
|--|--------------------------|---------------|
| | 2006 | 2005 |
| | £000 | £000 |
| Balance at 1 August | 33,145 | 27,540 |
| Additions | 592 | 1,049 |
| Disposals | — | — |
| Appreciation of endowment asset investments | 2,752 | 4,726 |
| Income for the year | 1,010 | 842 |
| Transferred to Income and Expenditure account | (1,028) | (1,012) |
| Transferred to Deferred Capital Grants (other grants and benefactions) | (196) | — |
| Balance at 31 July | 36,275 | 33,145 |
| Representing: | | |
| Fellowships and scholarships funds | 2,289 | 2,050 |
| Prize funds | 3,293 | 2,981 |
| Chairs and lectureships funds | 23,085 | 21,361 |
| Other specific funds | 7,608 | 6,753 |
| | 36,275 | 33,145 |

19 Revaluation reserve

| | Consolidated | Consolidated | College | College |
|---------------------|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £000 | £000 | £000 | £000 |
| Revaluations | | | | |
| Balance at 1 August | 13,855 | 14,047 | 13,855 | 14,047 |
| Released in year | (187) | (192) | (187) | (192) |
| Balance at 31 July | 13,668 | 13,855 | 13,668 | 13,855 |

20 Capital commitments

| | Consolidated and College | |
|---|--------------------------|--------|
| | 2006 | 2005 |
| | £000 | £000 |
| Capital expenditure contracted but not provided for in financial statements | 12,779 | 17,925 |

NOTES TO THE FINANCIAL STATEMENTS continued

21 Reconciliation of consolidated operating surplus to net cash from operating activities

| | Note | Consolidated | |
|--|------|--------------|----------------|
| | | 2006 | 2005 |
| | | £000 | £000 |
| Operating deficit before tax | | (2,654) | (125) |
| Depreciation | 11 | 7,216 | 4,779 |
| Deferred capital grants released to income | 17 | (4,841) | (3,166) |
| Investment income | 5 | (1,790) | (1,823) |
| Loss/(Profit) on the sale of tangible assets | | — | 40 |
| Interest payable | 8 | 868 | 814 |
| Decrease/(Increase) in stocks | | 56 | 2 |
| Decrease/(Increase) in debtors | 14 | 7,029 | (2,046) |
| Increase/(Decrease) in creditors | 15 | 3,061 | (3,229) |
| Net cash inflow/(outflow) from operating activities | | 8,945 | (4,754) |

22 Returns on investment and servicing of finance

| | | | |
|------------------------|----|------------|------------|
| Income from endowments | 18 | 1,010 | 842 |
| Interest received | | 762 | 811 |
| Interest paid | 8 | (868) | (814) |
| | | 904 | 839 |

23 Capital expenditure and financial investment

| | | | |
|---|----------|-----------------|-----------------|
| Purchase of tangible assets | 11 | (35,214) | (32,657) |
| Purchase of investments | 12,13,25 | (20,832) | (6,687) |
| Total payments to acquire fixed and endowment asset investments | | (56,046) | (39,344) |
| Sale of investments | 13 | 20,562 | 6,404 |
| Sale of land and buildings | | — | 6 |
| Deferred capital grants received | | 18,389 | 18,904 |
| Endowments received | 18 | 592 | 1,049 |
| | | 39,543 | 26,363 |
| Net cash (outflow)/inflow from investing activities | | (16,503) | (12,981) |

24 Financing

| | | | |
|--|--|--------------|--------------|
| Debt due beyond a year: | | | |
| New secured loans repayable by 2029 | | 8,651 | 9,049 |
| Repayment of amounts borrowed | | (328) | (328) |
| Capital element of finance lease rental payments | | (886) | (881) |
| Net cash inflow/(outflow) from financing | | 7,437 | 7,840 |

NOTES TO THE FINANCIAL STATEMENTS continued

25 Analysis of changes in net funds

| | 2006 | | |
|---------------------------------------|----------------|---------------|---------------|
| | At 1 August | Cash Flows | At 31 July |
| | £000 | £000 | £000 |
| Cash at bank and in hand: | | | |
| Endowment assets | 4,035 | 270 | 4,305 |
| Others | 2,613 | 376 | 2,989 |
| Total cash at bank and in hand | 6,648 | 646 | 7,294 |
| Investments | 5,285 | 159 | 5,444 |
| | <u>11,933</u> | <u>805</u> | <u>12,738</u> |

26 Pension costs

SAUL

The College participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme for all qualifying employees with the assets held in separate Trust-administered funds. SAUL is a multi-employer scheme where the shares of assets and liabilities applicable to each employer is not identified. The College therefore accounts for its pension costs on a defined contribution basis, as permitted by Financial Reporting Standard 17 *Accounting for Pension Costs*.

The last available actuarial valuation of the scheme was at 31 March 2005 using the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below.

| | Past service | Future service |
|--|--------------|----------------|
| Investment returns on liabilities per annum before retirement | 5.5% | 6.5% |
| Investment returns on liabilities per annum after retirement | 4.5% | 4.5% |
| Salary scale increases per annum | 4.15% | 4.15% |
| Pension increases per annum | 2.65% | 2.65% |
| Market value of assets at date of last valuation | £982 million | |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 93% | |

The contribution rate required for future service benefits alone at the date of the valuation was 19.2% of salaries. The past service surplus allows the College to pay contributions at the rate of 10.5% of pensionable salaries, to be increased by 2.5% to 13% from August 2006, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries, due to increase by 1% to 6% from August 2006, again subject to review. The next formal actuarial valuation is due at 31 March 2008 when the above rates will be reviewed.

USS

The College participates in the Universities Superannuation Scheme (USS), which is a funded defined benefit scheme where contributions are held in trust separately from the College. The main results and assumptions of the most recent valuation of the USS are as follows:

| | |
|------------------------------------|-----------------|
| Valuation date | 31 March 2005 |
| Valuation method | Projected Unit |
| Value of notional assets | £21,740 million |
| Funding level for accrued benefits | 77% |
| Investment return per annum | 4.5% |
| Salary scale increases per annum | 3.9% |
| Pension increases per annum | 2.9% |

The contributions payable by the College during the accounting period were equal to 14% of total pensionable salaries. The pensions charge recorded by the College during the accounting period was equal to the contributions payable, taking into account benefit improvements subsequent to the valuation and the spreading of surplus over future service lives of employees. The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The College therefore accounts for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17.

26 Pension costs continued**Public Service Scheme (NHS)**

The NHS Pension scheme is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for Queen Mary, University of London to identify its share of the underlying scheme assets and liabilities.

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.

Contributions

The College's contributions to the schemes, as at 31 July 2006, are shown below.

| | <u>USS</u> | <u>SAUL</u> | <u>NHS</u> |
|---|------------|---------------|--------------|
| | % | % | % |
| Employees' contributions | 6.35 | 5.00 | 6.00 |
| Employer's contributions | 14.00 | 10.50 | 14.00 |
| | | <u>2006</u> | <u>2005</u> |
| | | £000 | £000 |
| Contribution to USS | | 7,936 | 7,142 |
| Contribution to SAUL | | 1,170 | 1,121 |
| Public Service Scheme | | 1,650 | 1,626 |
| Net charge to Income and Expenditure Account | | <u>10,756</u> | <u>9,889</u> |

27 Access funds

| | <u>2006</u> | <u>2005</u> |
|--------------------------------|-------------|-------------|
| | £000 | £000 |
| Balance brought forward | 26 | 20 |
| Grant received | 468 | 510 |
| Interest | 6 | 5 |
| Expenditure | (468) | (509) |
| Balance carried forward | <u>32</u> | <u>26</u> |

Funding Council grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

28 Related party disclosures

No transactions were identified which should be disclosed under Financial Reporting Standard 8 '*Related Party Disclosures*'.

29 Contingent Liabilities

Termination of the lease arrangement for Brent House in 2001 resulted in the College indemnifying the financier against any negative change in the prevailing tax regime. This indemnity will expire in the year ended 31 July 2007. Because of the nature of the indemnification this cannot be quantified, and, in the opinion of the Council, is unlikely to crystallise.

30 Post Balance Sheet Event

On the 23rd August 2006, IP Group invested £1,000,000 in Retroscreen Virology Limited for 51,133 ordinary shares. QMC Industrial Research Limited, a wholly owned subsidiary of the College, owned 57.89% of Retroscreen Virology Limited. The IP Group Plc investment diluted the ownership of QMC Industrial Research Limited in Retroscreen Virology Limited from 57.89% to 41.85%.

On 1 December 2006, the College acquired the freehold to the land leased from the St Luke's Parochial Trust upon which the Engineering, Maths, IT, Computer Science, Students Union, Biology and Nursery Buildings are located (see note 11).

31 Deficit on Continuing Operations for the Period

The deficit on continuing operations for the period is made up as follows:

| | Year ended 31 July 2006 |
|--|----------------------------|
| | £000 |
| College's deficit for the period before Gift Aid and gain on sales of fixed assets | (3,018) |
| Gift Aid receivable from subsidiary undertakings | — |
| | <u>(3,018)</u> |
| Surplus retained by subsidiary undertakings after Gift Aid payments | 306 |
| Elimination of gains on intra-group transactions on consolidation | <u>(86)</u> |
| Total | <u><u>(2,798)</u></u> |

COUNCIL MEMBERSHIP 2005-06

| | |
|---|---|
| CHAIRMAN | Dr C Bowe, MSc, PhD |
| VICE-CHAIRMAN | Sir Hugh Laddie, MA(Cantab) |
| TREASURER | Mr C J Perrin, CBE, MA(Oxon), Barrister, Hon MRCP |
| EX OFFICIO MEMBERS | |
| The Principal | Professor A F M Smith, MA(Cantab), MA (Oxon), MSc, PhD, FRS, FIS, FIMA |
| The Warden of St Bartholomew's and The Royal London School of Medicine and Dentistry | Professor Sir Nicholas Wright, MD, PhD, DSc, FRCS, FRCP, FRCPath, FMedSci |
| Senior Vice-Principal | Professor P E Ogden, BA (Dunelm), D Phil (Oxon) |
| The President of the Students' Union 2004-06 | Ms V Slater |

APPOINTED MEMBERS (not being staff or students of the College)

| | <i>Tenure ends</i> |
|---|--------------------|
| Mr J M StJ Harris, MA(Oxon) | 31 August 2007 |
| Mr P J Harris | 31 August 2009 |
| Mr A Walker | 31 August 2009 |
| Dr C Bowe, MSc, PhD | 31 August 2008 |
| Dr A M Jolles, BA, PhD, LL.M | 31 August 2007 |
| Mr C J Perrin, CBE, MA(Oxon), Barrister, Hon MRCP | 31 August 2007 |

ELECTED MEMBERS [STAFF]

| | |
|---|----------------|
| Professor R Corder, BSc, MSc, PhD, MRPharmS | 31 August 2007 |
| Dr J Millar, MA(Oxon), PhD [Until March 2006] | |
| Professor H Navsaria, PhD [From March 2006] | 31 August 2009 |
| Professor A C Newland, MA, MB, BChir(Cantab), FRCP, FRCPath | 31 August 2006 |
| Professor L M Olschner, BA (Virginia), Dr Phil (Freiburg) | 31 August 2006 |
| Professor C M Reed, BA(Keele), LL.M | 31 August 2007 |
| Mr J Rowson, BSc(UMIST), MSc(Essex) | 31 August 2008 |
| Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys | 31 August 2007 |

ELECTED MEMBER [STUDENT]

| | |
|--------------|----------------|
| Ms C Sharman | 31 August 2006 |
|--------------|----------------|

ELECTED MEMBER [ACADEMIC RELATED STAFF]

| | |
|------------------------------|----------------|
| Dr E C Smith, BSc, PhD, ACMA | 31 August 2007 |
|------------------------------|----------------|

ELECTED MEMBER [NON-ACADEMIC STAFF]

Vacancy

CO-OPTED MEMBERS

| | |
|---|------------------|
| Mr A B Gibbins, MA(Oxon), FCA | 13 December 2009 |
| Mr C Gibson, BA (Dunelm), QC | 31 August 2010 |
| Sir Hugh Laddie, MA(Cantab) | 31 August 2009 |
| Mr F V McClure, BA | 31 August 2008 |
| Ms E Pienaar, BA(Open), MBA(South Bank), FRSA | 31 August 2008 |
| Mr D Sizer | 31 August 2009 |
| Mr A Ullah | 31 August 2008 |
| 3x Vacancy | |

AUDIT COMMITTEE 2005-06

MEMBERSHIP

Chairman

Mr Alan Gibbins

External member of Council

Mr Alan Gibbins

One other external member of Council

Mr Vernon McClure

Two academic members of Council

Professor Roger Corder

Professor Graham Thompson