

Financial Statements

for the year ended 31 July 2009

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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REPORT OF THE PRINCIPAL

The year covered by these financial statements represents a period of further enhancement of the reputation of Queen Mary, University of London (QMUL) as a research-led institution with an absolute commitment to the provision of both undergraduate and postgraduate education of the highest quality. In research, marked progress has been reflected by a significant increase in income and in the outstanding results of the Research Assessment Exercise. We have further expanded our student numbers and have focused on the improvement of several aspects of the student experience. During this period the College was led by Professor Philip Ogden as Acting Principal.

Research

Improved success in the winning of substantial research grants and contracts has reflected the continuing enhancement of the status of the College as a research-led institution. The careful preparations made over the last few years in advance of the 2008 Research Assessment Exercise (RAE) resulted in an outstanding performance. The College has been subsequently characterised in the media as "the biggest star among the research-intensive institutions". In the league tables calculated on the basis of the RAE results, the College was clearly located within the top fifteen nationally. In nine disciplines, the College was rated within the top five. The challenge now is to reproduce that level of achievement across the full range of disciplines within the College whilst also ensuring that "research power" (the product of research quality and volume) is enhanced and maintained.

Teaching and Learning

The College has been highly successful in recent years in expanding its UK student numbers and in international recruitment. The focus now turns to an improvement in the qualifications of our student intake and an enhancement of the quality of the student experience at QMUL. The most recent National Student Survey results included examples of excellent performance in some academic areas: in eight disciplines more than 90% of respondents indicated overall satisfaction with the quality of their learning experience. Such examples of excellent teaching performance provide exemplars for use in other areas. We continue to exceed our benchmark for recruitment of students from state schools and from historically under-represented social groups; this has been achieved through a wide range of outreach activities that raise aspiration and achievement in local schools and colleges.

Estates and Facilities

The College has continued the development of its Estate consistent with the Estates Strategy covering the period 2007-2015. Construction projects completed during the reporting period included the Centre of the Cell at Whitechapel, described by Lord Robert Winston as "the finest exhibition of its type anywhere in Europe", opened for visits from schools in September 2009. In keeping with the College's strategic priority of improving the student experience a major programme of teaching room refurbishments and the first phase of improvements to the library at Mile End were completed in the summer of 2009. The final phase of construction of the Biosciences Innovation Centre on the Whitechapel site was carried out in the year, with construction being completed shortly after the year end. The Centre is designed to provide facilities for the use of start-up companies and other small and medium enterprises; discussions with prospective tenants are at an advanced stage. Construction continued during this period on the Arts and Humanities Research Building on the Mile End campus.

Partnerships International and Local

In pursuing its research and educational objectives, the College engages with multiple partners, both within the University of London and more broadly in the UK and beyond.

Honours and Awards

Among many honours and awards received, the College won the 'Most Improved Student Experience' Award at this year's Times Higher Education Awards and the 'Social Responsibility' category of the Green Gown Awards 2009. Nanayaa Hughes-Brittain, a first class materials engineering graduate from Queen Mary, University of London, won the top prize at the Black Students Academic Achievement Awards.

Other honours and awards included:

Dr James Busfield, School of Engineering and Materials Science
National Teaching Fellow

Professor Byron Cook, School of Electronic Engineering and Computer Science
Roger Needham Award

Professor Mike Curtis, Barts and The London School of Medicine and Dentistry
Fellow of the Academy of Medical Sciences

Professor Alan Deyerdmond FBA, School of Languages, Linguistics and Film (*fondly remembered*)
Corresponding Member of the Real Academia Española

Dr Rhodri Haward, Department of History
British Society for the History of Science 2009 Dingle Prize

REPORT OF THE PRINCIPAL continued

Dr Joanna Herbert, Department of Geography
2009 Oral History Association Book Award

Professor Wilfrid Hodges, School of Mathematical Sciences
Fellow of the British Academy

Professor Julian Jackson FBA, Department of History
Ordre des Palmes Académiques

Professor Colin Jones, Department of History
Fellow of the British Academy and Ordre des Palmes Académiques

Professor Michael Moriarty FBA, School of Languages, Linguistics and Film
Ordre des Palmes Académiques

Professor Philip Ogden, Senior Vice-Principal
Academician of the Academy of Social Sciences

Professor Clive Parini, School of Engineering and Materials Science
Fellow of the Royal Academy of Engineering

Professor Quentin Skinner FBA, Barber Beaumont Professor in the Humanities
Corresponding Member of the Academia Europaea and Bielefeld Science Prize

Professor David Smith, Department of Geography
Senior Fellow of the British Academy

The very substantial achievements of the College in the reporting period mean that it is well placed to face the challenges of an increasingly competitive environment and of the significant financial pressures that will no doubt characterise the coming months and years.

Professor Simon Gaskell
Principal
24 November 2009

FINANCIAL AND OPERATING REVIEW

Scope of the Financial Statements

These are the consolidated statutory accounts of Queen Mary, University of London and its subsidiaries for the year ended 31 July 2009. Details of the group are listed within notes 11 to 13.

Highlights

In accordance with the budget set by Council, the group made a surplus of £2m. The College's success in the Research Assessment Exercise 2008 placed it in the top rank of research intensive universities. The College went from 48th in 2001 to 13th in the 2008 Times Higher Education table, up 35 places." The *Guardian* placed Queen Mary even higher, 11th in the UK.

Broadly, the financial position of the group improved over the year as shown by the table below.

	Increase/ (decrease)	Year to 31 July 2009	Year to 31 July 2008
	%	£000	£000
Income	7%	264,913	247,863
Surplus	-11%	2,088	2,339
Capital expenditure	19%	37,758	31,672
Operating cash inflow	-56%	8,243	18,569
Net assets	3%	272,235	265,226

Consolidated Income & Expenditure

Income from tuition fees increased by 14% as the third and final cohort of home and EU undergraduates began paying variable tuition fees of just over £3,000 in comparison to the £1,200 payable under the previous fee regime. At the same time, expenditure on bursaries for undergraduates increased by £1.6m to £8.6m.

The 7% increase in funding body grants is indicative of the College's success in generating greater research activity and in recruiting to an expanded number of HEFCE funded student places including those in Strategically Important Vulnerable Subjects and the South East Physics Network.

Having grown substantially in earlier years, income from research grants and contracts increased by 4% to £63.8m and overhead recovery improved by 20% to £6.1m.

While total income has grown at a rate well above inflation, this has coincided with a significant increase in expenditure. Staff costs increased by nearly 12% as the volume of activity grew over the year and the College implemented the final award under the national 'Framework Agreement' on pay. The framework specified a pay rise equal to the annual increase in the Retail Price Index as at 30 September 2008. This proved to be the high water mark for inflation at 5%. The main strategic focus for the year was on improving the student experience and many new appointments were made to assist in achieving this. The value of this investment was reflected by the College winning the *Times Higher* 2009 award for the most improved student experience. The other main driver for new posts was the increasing burden of legislative compliance. Staff numbers increased by 5% with 25 more academic staff, 87 more professional services staff in central and academic departments and 22 more technical staff employed in 2008/09 in comparison with 2007/08.

Other operational expenditure also increased due, in large part, to the additional bursaries referred to above.

Capital Investment

Total capital expenditure of £37.8m (£31.7m in 07/08) was funded by £16.8m from external capital grants and the balance from discretionary funds and bank loans. The majority of expenditure represented investment in the College's research and teaching infrastructure with partial funding from the HEFCE Capital Investment Framework.

Major refurbishments have been made to teaching rooms across the College and to the buildings housing the Economics, Geography and Physics departments. The large health and fitness centre and refurbished student bar at Mile End was opened in September 2008. The new Biosciences Innovation Centre at Whitechapel opened shortly after year end to provide incubation space to emerging and developing science firms. The building additionally provides much needed further space for the School of Medicine and Dentistry. The fit out of the Centre of the Cell at Whitechapel was completed. Progress has also been made in constructing the new humanities building at Mile End and the Heart Centre at Charterhouse Square.

FINANCIAL AND OPERATING REVIEW continued

Cash and Debt

Cash inflow from operating activities was £8.2m (£18.6m in 07/08). Cash balances and short-term deposits ended the year at £25.0m (£33.6m in 07/08). Total long term capital financing for the College and its subsidiaries stood at £80m at 31 July 2009. £35.1m has been drawn from the College's £60m long term loan facility with Lloyds TSB. £30m of this borrowing is hedged by interest rate swaps, providing protection against any adverse movements on interest rates. Forward starting swaps for £18m are in place to provide similar cost certainty with regard to subsequent draw downs against the loan facility. The College also has £26.6m of finance leases with Lloyds TSB in respect of plant, machinery, fittings and equipment at the Blizzard medical research building and the Student Village at Mile End. Queen Mary Bioenterprises Limited has a £17m loan with Barclays that funded the construction of the Innovation Centre at Whitechapel. This loan is guaranteed by the College.

Current Liabilities

Current liabilities include a number of large grants that will be released. Given the resultant high cash balance, the decision was taken to delay draw down against the £60m loan facility with Lloyds TSB. Accordingly the net current liabilities position of £8.3m is expected to unwind.

Treasury Management and Investments

Following the 2008 banking crisis and subsequent draining of liquidity from all financial markets, endowment investments stood at £28.4m. This compares with £32.2m as at 31 July 2008. There was a reduction in market value of £5.1m. £2m of new endowments were received while expenditure virtually equalled income. Endowment assets are managed by Newton Investment Management Limited which was appointed in December 2001. Investment Committee is conducting its first triennial review of the investment strategy as expressed in the Statement of Investment Principles.

The College also has £1.8m of investment funds similarly managed by Newton. This investment stood at £2.2m a year earlier.

The College's investment of working cash balances is monitored by Investment Committee. There is a short list of permitted organisations for College deposits all of which are required to have good credit worthiness as rated by international agencies and were regarded as secure by Investment Committee. This ensured that the College did not have deposits at risk during recent financial instability.

Pension Funds

College staff belong to 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 schemes so it is not possible to identify the share of assets and liabilities that relate to the College. Therefore, the financial positions of these schemes are not shown in the balance sheet. Concern remains, however, with the funding position of both USS and SAUL. The College maintains a small pension fund in respect of deferred pensions of former non-academic staff of The London Hospital Medical College. All of the liabilities within the scheme are in respect of deferred pensions and the scheme is closed to new members. The majority of original members of the scheme transferred to SAUL.

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. The College has:

- implemented job evaluation;
- harmonised terms and conditions, as far as is practicable, for all staff; and
- made substantial progress towards offering a minimum of the London Living Wage to all staff employed on its campuses.

Student Numbers

The number of full time equivalent students enrolled during the year increased from 14,327 in 2007/08 to 15,391 in 2008/09. Of these, 1,656 were based in China studying flagship joint degree programmes in collaboration with the Beijing University of Post and Telecommunications. Overall, this expansion of student numbers continues our above average growth pattern that started in 2002.

FINANCIAL AND OPERATING REVIEW continued

Outlook

While the College's success in the RAE will be rewarded with an increase in HEFCE core funding for research of £7.4m, there will also be an increase in its cost base as three new buildings are completed: the new humanities building currently under construction on the Mile End campus; the new Innovation Centre recently completed at Whitechapel; and the Heart Centre at Charterhouse Square. While the new buildings will allow for additional income to be earned by the College, expenditure is expected to exceed income in the first few years of operation. Accordingly, a reduced surplus of £0.7m is budgeted for 2009/10. A range of measures are being introduced to improve the surplus in subsequent years.

Early indicators of student intake for 2009 are good, particularly with regard to overseas post-graduate students. As the College's research reputation grows, expansion of post-graduate student numbers is an essential component of its overall strategic direction. In light of announcements of cuts in government funding for home/EU undergraduates, expansion of post graduate provision is also a cornerstone of the College's financial strategy. The College is preparing for the financial challenges ahead through careful identification of savings and selective investment into areas of growth against sound business plans.

Auditors

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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. It was concluded then that Council was properly fulfilling its statutory duties with regard to corporate governance and oversight of the strategic development of the College. The appointment of both a new Principal and Chairman of Council provide a timely opportunity to take forward a review of the College's governance with a view to its updating and modernisation and this is underway in 2009/10.

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. The Principal is assisted in this by the Senior Executive comprising the Senior Vice-Principal, the Warden and the three Vice-Principals.

College Committees

Although the Council meets five times in each academic year, much of its detailed work is handled initially by committees, in particular the Finance, Staff Policy and Audit and Compliance Committees. Academic Board is supported 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 is published on the Council web pages.

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL continued

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; and
- the 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; and
- 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 Finance Committee and Council;
- internal audit carried out by an external firm of auditors. The programme is approved by the Audit and Compliance Committee; and
- 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 is 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL continued

- 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; and
 - c. set up a working group of Council to review the composition and effective communication of key performance indicators and supporting information.
- 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.
- The Audit and Compliance Committee follows a programme reviewing compliance risks by way of receiving reports from each of the committees responsible for those risks.

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

We have audited the group financial statements of Queen Mary and Westfield College for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the institution in accordance with the Charters and Statutes of the institution. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 - Accounting for Further and Higher Education.

We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE).

We also report to you whether, in our opinion, the other information given in the financial statements is consistent with the financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Financial and Operating Review, the Report of the Principal and the Statement of Corporate Governance and Internal Control.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the Queen Mary and Westfield College website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. 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 governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors, London

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 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.

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 2009.

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 notes 11 to 13.

The consolidated financial statements do not include those of the Queen Mary and Westfield College Students Union because it is an independent association with separate control. The grant to the Students Union is disclosed in note 7.

3 Recognition of Income

- i. Funding body block grants are accounted for in the period to which they relate.
- ii. Fee income is stated gross and 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 and scholarships are accounted for gross as expenditure and not deducted from 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 the College 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. 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.
- v. 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.
- vi. Charitable donations are recognised when received or 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 the College 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.
- vii. 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.

4 Tangible Fixed Assets

- i. Land and buildings are stated at cost or valuation. The College 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 over the life of the lease if the lease is less than 50 years or 2% per annum. 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.
- vi. Capitalised equipment is depreciated over three to eight years in the consolidated balance sheet.
- 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 as above. The related grants are treated as deferred capital grants and released to income in line with the depreciation charge.
- ix. 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.

STATEMENT OF ACCOUNTING POLICIES continued

4 Tangible Fixed Assets continued

- x. The College owns heritage assets, none of which either individually or collectively are material to these Financial Statements, which have not been capitalised.
- xi. 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 period it is incurred. The College has a planned maintenance programme which is reviewed annually.

5 Investments

- i. Listed investments held as fixed assets or endowment assets are shown at market value.
- ii. Investments in subsidiary, joint venture and associate undertakings are shown at the lower of cost or net realisable value in the College's balance sheet. Joint venture and associate undertakings are shown at the college's attributable share of net assets in the consolidated balance sheet.
- iii. Current asset investments are held at the lower of cost and net realisable value.

6 Stocks

Stock is stated at the lower of cost and net realisable value. Included in the valuation are stocks in the refectories and central and departmental stores.

7 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.

8 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 the College's treasury management activities, but exclude any such assets held as fixed asset investments.

9 Leases

Finance leases which transfer substantially all the benefits and risks of ownership of an asset to the College, 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 period.

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

10 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.

11 Financial Instruments

The College 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.

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.

12 Joint Venture entities and Associates

The College's share of income and expenditure in joint venture entities is recognised in the consolidated income and expenditure account in accordance with FRS9. Similarly the College's share of assets and liabilities in associate entities is recognised in the consolidated balance sheet in accordance with FRS9.

The gross equity method is used when consolidating joint venture entities and associate entities are consolidated using the equity method in accordance with FRS 9.

STATEMENT OF ACCOUNTING POLICIES continued

13 Pension Schemes

As described in note 28, the College 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 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 also operates a closed defined benefit pension scheme for the non teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges. This pension scheme is accounted for the first time in the 2009 financial statements. There has been no restatement of the prior year balance sheet as the effect is considered immaterial. The College is not a member of any defined contribution schemes which incur costs or liabilities other than the defined contributions themselves.

14 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 the College.
- 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.

15 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 Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The 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. Irrecoverable VAT is included in the cost of the goods or service.

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 2009

	<u>Note</u>	<u>2009</u> £000	<u>2008</u> £000
Income			
Funding body grants	1	96,823	90,367
Tuition Fees and education contracts	2	64,245	56,279
Research grants and contracts	3	63,840	61,280
Other operating income	4	37,804	36,889
Endowment income and interest receivable	5	<u>2,262</u>	<u>3,048</u>
Total income		<u>264,974</u>	<u>247,863</u>
Less: Share of income from joint ventures	12	(61)	0
Net Income		<u>264,913</u>	<u>247,863</u>
Expenditure			
Staff costs	6	159,729	143,233
Other operating expenses	7	88,017	86,512
Depreciation	10	12,908	12,891
Interest payable		<u>2,636</u>	<u>3,132</u>
Total expenditure	8	<u>263,290</u>	<u>245,768</u>
Surplus for the year after depreciation of assets at valuation and before tax		1,623	2,095
Share of operating profit/(loss) in joint ventures	12	17	(12)
Share of operating (loss) in associates	13	(204)	(129)
Taxation	9	<u>(1)</u>	<u>(7)</u>
Surplus for the year after depreciation of assets at valuation and taxation and before exceptional items		1,435	1,947
Disposal of Fixed Assets	10	<u>0</u>	<u>(576)</u>
Surplus for the year after depreciation of assets at valuation, disposal of assets and taxation		1,435	1,371
Net expenditure in the year transferred to accumulated income in endowment funds	20	<u>653</u>	<u>968</u>
Surplus for the year retained within general reserves	31	<u>2,088</u>	<u>2,339</u>

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 2009

	<u>Note</u>	<u>2009</u> £000	<u>2008</u> £000
Surplus on continuing operations before taxation		1,623	2,095
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	21	177	180
Historical cost surplus for the period before taxation		<u>1,800</u>	<u>2,275</u>
Retained historical cost surplus after taxation		<u>2,265</u>	<u>2,519</u>

The notes on pages 18 to 33 form part of these financial statements

BALANCE SHEET AT 31 JULY 2009

	Note	Consolidated		College	
		2009	2008	2009	2008
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	329,423	304,573	316,121	306,136
Investments	11	713	713	4,229	4,228
Investments in joint venture	12	4	0	0	0
Investments in associates	13	644	772	1	1
		<u>330,784</u>	<u>306,058</u>	<u>320,351</u>	<u>310,365</u>
Endowment asset investments					
Endowment asset investments	14	28,471	32,204	26,624	30,798
College investment funds	15	1,759	2,200	1,759	2,200
Total investment funds		<u>30,230</u>	<u>34,404</u>	<u>28,383</u>	<u>32,998</u>
Current assets					
Stocks		176	197	176	197
Debtors	16	30,104	29,002	33,411	32,391
Investments		19,167	11,254	19,167	11,253
Cash at bank and in hand		5,896	22,372	3,726	11,218
		<u>55,343</u>	<u>62,825</u>	<u>56,480</u>	<u>55,059</u>
Creditors: amounts falling due within one year	17	(63,425)	(58,879)	(63,787)	(60,746)
Share of net liabilities in joint ventures	12	0	(12)	0	0
Share of net liabilities in associates	13	(273)	(196)	0	0
Net current assets/(liabilities)		<u>(8,355)</u>	<u>3,738</u>	<u>(7,307)</u>	<u>(5,687)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		352,659	344,200	341,427	337,677
Creditors: amounts falling due after more than one year	18	(80,041)	(78,974)	(63,060)	(65,722)
Net assets excluding pension liability		<u>272,618</u>	<u>265,226</u>	<u>278,367</u>	<u>271,955</u>
Pension liability	28	(383)	0	(383)	0
NET ASSETS INCLUDING PENSION LIABILITY		<u>272,235</u>	<u>265,226</u>	<u>277,984</u>	<u>271,955</u>
Deferred capital grants	19	179,583	170,219	171,494	164,307
Endowments					
Expendable	20	21,724	24,750	21,208	24,624
Permanent	20	6,747	7,454	5,416	6,174
		<u>28,471</u>	<u>32,204</u>	<u>26,624</u>	<u>30,798</u>
Reserves					
Income and expenditure reserve excluding pension liability		51,134	49,212	67,122	63,546
Pension reserve		(383)	0	(383)	0
Income and expenditure reserve including pension liability		<u>50,751</u>	<u>49,212</u>	<u>66,739</u>	<u>63,546</u>
Revaluation reserve	21	13,127	13,304	13,127	13,304
Other reserves		303	287	0	0
Total Reserves		<u>64,181</u>	<u>62,803</u>	<u>79,866</u>	<u>76,850</u>
TOTAL		<u>272,235</u>	<u>265,226</u>	<u>277,984</u>	<u>271,955</u>

The notes on pages 18 to 33 form part of these financial statements

Approved by Council on 24 November 2009 and signed on its behalf by:

SIR N MONTAGU
Chairman

PROFESSOR S GASKELL
Principal

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		£000	£000
Surplus on continuing operations after depreciation of fixed assets at valuation and tax		1,435	1,371
Add			
Currency translation on net foreign investment		16	0
Revaluation of investments		(364)	(162)
New endowments	20	2,057	2,053
Revaluation of endowment investments	20	(5,091)	(3,353)
Management fee charged to capital funds	20	(46)	(71)
Pension liability @ 31.07.08		(249)	0
Actuarial gain on defined benefit pension scheme		(113)	0
Total recognised gains relating to the year		<u>(2,355)</u>	<u>(162)</u>
Reconciliation			
Opening reserves and endowments		95,007	95,169
Total recognised gains and losses relating to the year		<u>(2,355)</u>	<u>(162)</u>
Closing reserves and endowments		<u><u>92,652</u></u>	<u><u>95,007</u></u>

The notes on pages 18 to 33 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2009

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	23	8,243	18,569
Returns on investments and servicing of finance	24	(358)	(84)
Capital expenditure and financial investment	25	(18,545)	(12,317)
Management of liquid resources	27	(7,913)	(1,474)
Financing	26	3,730	13,252
(Decrease)/increase in cash	27	<u>(14,843)</u>	<u>17,946</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash for the period	(14,843)	17,946
Change in short term deposits	7,913	1,474
Change in debt	<u>(3,730)</u>	<u>(13,252)</u>
Change in net debt	(10,660)	6,168
Net debt at 1 August	<u>(36,107)</u>	<u>(42,275)</u>
Net Debt at 31 July	<u>(46,767)</u>	<u>(36,107)</u>

The notes on pages 18 to 33 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Funding Body Grants

	Note	2009 £000	2008 £000
Recurrent grant		83,418	78,833
Specific grants			
Higher education innovation fund		1,366	1,943
Teacher quality enhancement fund		467	307
Other		5,737	2,639
		<u>7,570</u>	<u>4,889</u>
Deferred capital grants released in year			
Buildings	19	2,366	2,496
Plant	19	669	675
Equipment	19	2,800	3,474
		<u>5,835</u>	<u>6,645</u>
Total		<u><u>96,823</u></u>	<u><u>90,367</u></u>

2 Tuition fees and education contracts

Full-time students charged home/EU fees		30,482	24,481
Full-time students charged overseas fees		27,698	26,877
Part-time students		2,683	2,078
Research training support grants		312	246
Short course fees		1,047	1,055
Other fees and support grants		2,023	1,542
		<u>64,245</u>	<u>56,279</u>

3 Research grants and contracts

Research councils		21,394	20,351
UK central government bodies		5,701	4,209
UK industry and commerce		3,981	3,874
UK-based charitable and health bodies		23,277	24,857
European Community		4,840	4,265
Other overseas countries		2,461	1,559
Other		956	447
Deferred capital grants released in year	19	1,230	1,718
		<u>63,840</u>	<u>61,280</u>

4 Other operating income

Residences, catering and conferences		11,400	11,763
Other services rendered		6,871	6,547
Health authorities		13,228	13,157
Other income		5,824	5,422
Income from joint venture		61	0
Deferred capital grants released in year	19	420	0
		<u>37,804</u>	<u>36,889</u>

5 Endowment and investment income

Income from expendable endowments	20	832	896
Income from permanent endowments	20	199	213
Income from college investments		72	54
Income from short term investments		1,159	1,885
		<u>2,262</u>	<u>3,048</u>

NOTES TO THE FINANCIAL STATEMENTS continued

6 Staff

	<u>2009</u>	<u>2008</u>
	£000	£000
Staff costs:		
Wages and salaries	132,381	118,867
Social security costs	11,855	10,572
Pension costs	15,493	13,794
	<u>159,729</u>	<u>143,233</u>
Emoluments of the Principal		
Basic salary	18	208
London allowance	0	0
Special allowance	1	8
Benefits in kind	0	0
Emoluments of the Acting Principal		
Basic salary	185	0
London allowance	0	0
Special allowance	0	0
Benefits in kind	0	0

The Principal resigned his post on 31 August 2008. The Acting Principal was appointed on 1 September 2008 and stood down when Professor Simon Gaskell took up the position of Principal on 1 October 2009.

The emoluments of the Principal and Acting 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 £2,543 for the Principal (2008 £30,287) and £25,923 for the Acting Principal.

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

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 College Staff, in bands of £10,000 from a starting point of £100,001.

	<u>2009</u>	<u>2008</u>
	Number of staff	Number of staff
£100,001 — £110,000	29	22
£110,001 — £120,000	11	13
£120,001 — £130,000	12	7
£130,001 — £140,000	10	8
£140,001 — £150,000	5	6
£150,001 — £160,000	8	5
£160,001 — £170,000	6	1
£170,001 — £180,000	4	4
£180,001 — £190,000	2	1
£190,001 — £200,000	0	1
£200,001 — £210,000	1	2
£210,001 — £220,000	1	1
£220,001 — £230,000	1	1
£250,001 — £260,000	1	0

No redundancy payments were made to higher-paid staff in the year to 31 July 2009 (2008 £Nil).

NOTES TO THE FINANCIAL STATEMENTS continued

6 Staff continued

Compensation for loss of office:

	<u>2009</u>	<u>2008</u>
	£000	£000
Compensation payable	<u>162</u>	<u>628</u>
Severance pay was in accordance with the policies approved by the Remuneration Committee.		

Average number of employees by category

	<u>2009</u>	<u>2008</u>
	£000	£000
Academic and education	1,494	1,469
Professional services	1,139	1,052
Technical services	193	171
Operational services	<u>392</u>	<u>378</u>
	<u><u>3,218</u></u>	<u><u>3,070</u></u>

7 Other operating expenses

Other operating expenses include:

Residences, catering and conferences operating expenses	5,204	4,670
Consumables and laboratory expenditure	23,071	20,773
Funds payable to other colleges	975	871
Equipment	5,502	5,889
Books and periodicals	1,918	2,047
Fellowships, scholarships, prizes, and studentships	16,835	16,146
Heat, light, water and power	3,991	2,122
Repairs and general maintenance	1,917	1,735
Rent, rates and insurance	2,726	2,892
Other premises costs	1,304	2,126
Provision for doubtful debts	(49)	(32)
Grant to Students Union	739	1,051
Auditors' remuneration	150	116
Auditors' remuneration in respect of non-audit services	85	34
Unfunded pension costs	41	202
University of London central charges	1,198	986
Professional and other fees	4,763	4,184
Conferences, travel and training	6,216	5,776
Non-established staff expenses	6,629	8,073
Other expenses*	<u>4,802</u>	<u>6,851</u>
	<u><u>88,017</u></u>	<u><u>86,512</u></u>

* Includes £91,278 in respect of Internal Audit fees (2008 £108,747).

NOTES TO THE FINANCIAL STATEMENTS continued

8 Analysis of expenditure by activity

Note	Staff Costs £000	Depreciation £000	Other costs £000	Interest Payable £000	2009 Total £000	2008 Total £000
Academic departments	91,572	3,113	27,538	0	122,223	112,253
Academic services	7,820	544	6,083	0	14,447	13,206
Research grants and contracts	31,784	1,121	24,119	693	57,717	56,185
Residences, catering and conferences	2,657	2,048	5,204	0	9,909	8,732
Premises	7,543	6,019	7,789	1,691	23,042	22,449
Administration	16,684	26	15,230	0	31,940	28,226
Other	1,669	37	2,054	252	4,012	4,717
Total per income and expenditure account	159,729	12,908	88,017	2,636	263,290	245,768
 Total for year ended 31 July 2008	 <u>143,233</u>	 <u>12,891</u>	 <u>86,512</u>	 <u>3,132</u>		 <u>245,768</u>
Other operating expenses include:						
External auditors remuneration in respect of audit services			150			116
External auditors remuneration in respect of non-audit services			85			34
The depreciation charge has been funded by:						
Deferred capital grants released	19		7,485			8,363
Revaluation reserve released	21		177			712
General income			5,246			3,816
			<u>12,908</u>			<u>12,891</u>

9 Taxation

	2009 £000	2008 £000
Macau complementary (corporation) tax at 12% on the profits of Queen Mary Research Laboratories (Macau) Limited	0	7
Share of corporation tax at 21% of Apriorie Limited	1	0

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

NOTES TO THE FINANCIAL STATEMENTS continued

10 Tangible assets

	Freehold land and buildings	Long leasehold	Assets in course of construction	Plant & machinery	Equipment	Total
	£000	£000	£000	£000	£000	£000
Consolidated						
Cost						
At 1 August 2008	267,620	26,516	23,437	17,937	47,739	383,249
Transfers	10,831	0	(21,334)	8,883	1,620	0
Additions at cost	0	0	35,035	135	2,588	37,758
Disposals at cost	(7)	0	0	0	(348)	(355)
At 31 July 2009	<u>278,444</u>	<u>26,516</u>	<u>37,138</u>	<u>26,955</u>	<u>51,599</u>	<u>420,652</u>
Depreciation						
At 1 August 2008	(33,112)	(6,926)	0	(2,611)	(36,027)	(78,676)
Transfers	638	0	0	(633)	(5)	0
Charge for the year	(4,499)	(393)	0	(2,783)	(5,233)	(12,908)
Disposals	7	0	0	0	348	355
At 31 July 2009	<u>(36,966)</u>	<u>(7,319)</u>	<u>0</u>	<u>(6,027)</u>	<u>(40,917)</u>	<u>(91,229)</u>
Net book value						
At 31 July 2009	<u>241,478</u>	<u>19,197</u>	<u>37,138</u>	<u>20,928</u>	<u>10,682</u>	<u>329,423</u>
Net book value						
At 1 August 2008	<u>234,508</u>	<u>19,590</u>	<u>23,437</u>	<u>15,326</u>	<u>11,712</u>	<u>304,573</u>
College						
Cost						
At 1 August 2008	279,930	26,516	13,499	17,203	46,742	383,890
Transfers	10,947	0	(21,450)	8,883	1,620	0
Additions at cost	0	0	20,268	15	2,588	22,871
Disposals at cost	0	0	0	0	0	0
At 31 July 2009	<u>290,877</u>	<u>26,516</u>	<u>12,317</u>	<u>26,101</u>	<u>50,950</u>	<u>406,761</u>
Depreciation						
At 1 August 2008	(33,105)	(6,924)	0	(2,448)	(35,277)	(77,754)
Transfers	638	0	0	(633)	(5)	0
Charge for the year	(4,499)	(393)	0	(2,743)	(5,251)	(12,886)
Disposals	0	0	0	0	0	0
At 31 July 2009	<u>(36,966)</u>	<u>(7,317)</u>	<u>0</u>	<u>(5,824)</u>	<u>(40,533)</u>	<u>(90,640)</u>
Net book value						
At 31 July 2009	<u>253,911</u>	<u>19,199</u>	<u>12,317</u>	<u>20,277</u>	<u>10,417</u>	<u>316,121</u>
Net book value						
At 1 August 2008	<u>246,825</u>	<u>19,592</u>	<u>13,499</u>	<u>14,755</u>	<u>11,465</u>	<u>306,136</u>

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

The College 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. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

10 Tangible Assets continued

Plant and machinery includes plant at a cost of £24,763,355 with a net book value of £19,507,011 in respect of assets under finance leases. The depreciation charge in respect of these assets is £2,209,831. Equipment includes assets at a cost of £1,849,784 with a net book value of £915,384 in respect of assets under finance leases. The depreciation charge in respect of these assets is £363,209.

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

11 Investments

Subsidiary companies and other investments	Consolidated		College	
	2009	2008	2009	2008
	£000	£000	£000	£000
Investment in subsidiary companies at cost	0	0	3,516	3,515
Other Investments	713	713	713	713
	<u>713</u>	<u>713</u>	<u>4,229</u>	<u>4,228</u>

Subsidiary companies

The College holds directly the following shares in subsidiary companies:

	Country of registration	Equity holding	Proportion held	Principal activity
People's Palace Projects Limited	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, University of London Foundation	England	Limited by guarantee	100.0%	Fundraising

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

CCLS Services Limited	England	Ordinary	100.0%	Intellectual property rights
Nanoforce Technology Limited	England	Ordinary	100.0%	Micro and nanotechnology facility
Q-Flow Limited	England	Ordinary	100.0%	Dormant
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 Laboratories (Macau) Limited	Macau	Ordinary	52.0%	Smart antennas for wireless networks
TMS Technologies International Limited	England	Ordinary	100.0%	Dormant

Other Investments

The College holds 36,028 shares in CVCP Properties plc.

The College holds 1,000,000 ordinary shares in Hybrid Pharma Limited.

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

The College 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.

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

Queen Mary Innovation Limited holds 2,250,000 ordinary shares in Apatech Limited, representing 9.4% of the share capital.

Queen Mary Innovation Limited holds 2,000 ordinary shares in Neurotex Limited, representing 20.0% of the share capital.

Queen Mary Innovation Limited holds 24,500 ordinary shares in Phosphonics Limited, representing 0.8% of the share capital.

Queen Mary Innovation Limited holds 800 ordinary shares in Viratis Limited, representing 10.4% of the share capital.

Queen Mary Innovation Limited holds 1,000 ordinary shares in Vision Semantics Limited, representing 8.7% of the share capital.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Investment in joint venture

Queen Mary Innovation Limited has a joint venture investment in Apriorie Limited.

13 Investment in associates

The College holds directly the following shares in associate companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Actual Experience Limited	England	Ordinary	34.8%	Software development
Degrasense Limited	England	Ordinary	47.6%	Industrial biosensors
Emdot Limited	England	Ordinary	34.5%	Inkjet printing technology
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48.0%	Smart antennas for wireless networks
Stealthyx Therapeutics Limited	England	Ordinary	42.0%	Drug delivery
Vision Semantics Limited	England	Ordinary	30.3%	CCTV analytics
William Harvey Research Limited	England	Ordinary	40.0%	Research

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
Retroscreen Virology Limited	England	Ordinary	35.7%	Virology research
Vaxome Limited	England	Ordinary	33.4%	Vaccine technology

14 Endowment asset investments

	Consolidated		College	
	2009	2008	2009	2008
	£000	£000	£000	£000
Balance at 1 August	32,204	34,543	30,798	34,536
New endowments invested	1,681	2,147	1,240	349
Decrease in market value of investments	(5,091)	(3,353)	(5,091)	(3,353)
Capital expenditure	(46)	(71)	(46)	(71)
Decrease in cash balance held by College for endowment funds	(277)	(1,062)	(277)	(663)
Balance at 31 July	28,471	32,204	26,624	30,798
Represented by:				
Fixed interest stocks	3,665	2,544	3,665	2,544
Equities	15,509	19,442	15,509	19,442
Property investment trusts and shares	1,329	1,722	1,329	1,722
Hedge funds	1,361	3,512	1,361	3,512
Cash balance with fund manager	3,507	2,048	3,507	2,048
Cash held by college for endowment funds	1,253	1,530	1,253	1,530
Cash held by subsidiary charities	1,847	1,406	0	0
	28,471	32,204	26,624	30,798

NOTES TO THE FINANCIAL STATEMENTS continued

15 College investment funds

	Consolidated and College	
	2009	2008
	£000	£000
Fixed interest stocks	250	182
Equities	1,059	1,389
Property investment trusts and shares	91	122
Hedge funds	93	251
Bank balances	266	256
	<u>1,759</u>	<u>2,200</u>

The College has one portfolio of investments which includes both endowments and College funds.

93.61% (2008 93.60%) of each class of asset under management is held by the endowment funds. The balance of 6.39% (2008 6.40%) represents general College funds.

16 Debtors

	Consolidated		College	
	2009	2008	2009	2008
	£000	£000	£000	£000
Research grants/contracts	16,086	17,204	16,024	17,135
Other debtors	8,483	10,348	8,141	10,151
Amounts owed by subsidiaries	0	0	4,077	4,129
Prepayments and accrued income	5,535	1,450	5,169	976
	<u>30,104</u>	<u>29,002</u>	<u>33,411</u>	<u>32,391</u>

17 Creditors: amounts falling due within one year

	Consolidated		College	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans and overdrafts	274	654	274	654
Social security and other taxation payable	3,819	3,464	3,803	3,465
Research grants/contracts in advance	32,344	29,784	32,343	29,784
Other creditors and credit balances	14,706	11,015	12,672	10,752
Deferred grants	3,991	5,751	3,695	5,295
Accruals and deferred income	8,291	8,211	7,835	7,757
Amounts owed to subsidiaries	0	0	3,165	3,039
	<u>63,425</u>	<u>58,879</u>	<u>63,787</u>	<u>60,746</u>

18 Creditors: amounts falling due after more than one year

Bank loan	52,090	48,360	35,109	35,108
Finance leases	26,613	26,613	26,613	26,613
Other creditors	1,338	4,001	1,338	4,001
	<u>80,041</u>	<u>78,974</u>	<u>63,060</u>	<u>65,722</u>

Analysis of bank loans and finance leases

In two years or less	16,981	0	0	0
Between two and five years	583	583	583	583
In five years or more	61,139	47,777	61,138	61,138
Total	<u>78,703</u>	<u>48,360</u>	<u>61,721</u>	<u>61,721</u>

Included within bank loans are the following:

Lender	Amount £000	Term years	Interest rate %	Borrower
Lloyds TSB (unsecured)	35,108	35	0.18 above base or LIBOR	College
Barclays (secured)	16,981	27	5.27	Queen Mary Bioenterprises Limited

NOTES TO THE FINANCIAL STATEMENTS continued

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

The College entered into a loan facility for £60m with Lloyds TSB on 6 March 2007 to refinance £25m of loans with the Royal Bank of Scotland (RBS) and to fund current and future capital projects. The facility is for 35 years. The first five years is a draw down period during which time interest payments are made but there are no repayments of principal. Principal is thereafter repaid by half yearly instalments over 30 years but calculated on a 40 year amortising annuity schedule. A bullet repayment of £16.3m is, therefore, due in year 35.

With regard to the £60m Lloyds TSB loan facility, the following fixed interest swaps (over 3 month LIBOR) are in place:

	Amount £000	Rate %	Cost of Funds %	Term years	Termination date
Lloyds swap 1 (includes blend and extend costs from previous RBS swaps)	15,000	4.7400%	4.9200%	35	07/09/2042
Lloyds swap 2	15,000	4.7125%	4.8925%	25	07/09/2032
Lloyds swap 3	12,000	4.5925%	4.7725%	21	07/09/2028
Lloyds swap 4	6,000	4.7700%	4.9500%	12	01/09/2022

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 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. After which, interest is paid quarterly, starting from December 2008 and until the end of the loan facility. 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 the College until such time as Queen Mary Bioenterprises Limited meets defined finance covenants for three consecutive years.

19 Deferred capital grants

	Note	HEFCE 2009 £000	Research grants 2009 £000	Other gifts 2009 £000	Total 2009 £000	Total 2008 £000
Consolidated						
At 1 August						
Buildings		125,390	14,330	939	140,659	140,619
Assets in the course of construction		4,983	1,000	5,110	11,093	1,279
Plant		7,441	0	0	7,441	8,116
Equipment		8,738	1,486	802	11,026	11,293
Transfer		0	0	0	0	0
Total		146,552	16,816	6,851	170,219	161,307
Cash received/receivable						
Buildings		0	0	0	0	0
Assets in the course of construction		12,774	207	2,140	15,121	12,690
Plant		0	0	51	51	0
Equipment		0	1,677	0	1,677	4,585
Total		12,774	1,884	2,191	16,849	17,275
Released to Income and Expenditure						
Buildings	1,3	(2,366)	(306)	(211)	(2,883)	(2,835)
Plant	1	(669)	(1)	(76)	(746)	(675)
Equipment	1,3	(2,800)	(923)	(133)	(3,856)	(4,853)
Total		(5,835)	(1,230)	(420)	(7,485)	(8,363)
Transfers						
Buildings		1,931	107	0	2,038	2,875
Assets in the course of construction		(1,931)	(107)	0	(2,038)	(2,875)
Plant		0	8	597	605	0
Equipment		0	(196)	(409)	(605)	0
Total		0	(188)	188	0	0
At 31 July						
Buildings		124,955	14,131	728	139,814	140,659
Assets in the course of construction		15,826	1,100	7,250	24,176	11,094
Plant		6,772	7	572	7,351	7,441
Equipment		5,938	2,044	260	8,242	11,025
Total		153,491	17,282	8,810	179,583	170,219

NOTES TO THE FINANCIAL STATEMENTS continued

19 Deferred capital grants continued

	Note	HEFCE 2009 £000	Research grants 2009 £000	Other gifts 2009 £000	Total 2009 £000	Total 2008 £000
College						
At 1 August						
Buildings		125,390	14,330	939	140,659	138,370
Assets in the course of construction		4,984	1,000	0	5,984	1,279
Plant		7,441	0	0	7,441	8,116
Equipment		8,737	1,486	0	10,223	10,432
Transfer		0	0	0	0	0
Total		146,552	16,816	939	164,307	158,197
Cash received						
Buildings		0	0	0	0	0
Assets in the course of construction		12,774	207	0	12,981	9,830
Plant		0	0	0	0	0
Equipment		0	1,677	0	1,677	4,348
Total		12,774	1,884	0	14,658	14,178
Released to Income and Expenditure						
Buildings	1,3	(2,366)	(306)	(211)	(2,883)	(2,836)
Plant	1	(669)	0	0	(669)	(675)
Equipment	1,3	(2,800)	(1,119)	0	(3,919)	(4,557)
Total		(5,835)	(1,425)	(211)	(7,471)	(8,068)
Transfers						
Buildings		1,931	107	0	2,038	5,125
Assets in the course of construction		(1,931)	(107)	0	(2,038)	(5,125)
Plant		0	0	0	0	0
Equipment		0	0	0	0	0
Total		0	0	0	0	0
At 31 July						
Buildings		124,955	14,131	728	139,814	140,659
Assets in the course of construction		15,827	1,100	0	16,927	5,984
Plant		6,772	0	0	6,772	7,441
Equipment		5,937	2,044	0	7,981	10,223
Total		153,491	17,275	728	171,494	164,307

NOTES TO THE FINANCIAL STATEMENTS continued

20 Endowments

	Total restricted permanent	Total restricted expendable	Total endowments	Total endowments restated
	2009 £000	2009 £000	2009 £000	2008 £000
Consolidated				
Balances at 1 August				
Capital	6,576	24,948	31,524	34,024
Accumulated income	680	0	680	519
	<u>7,256</u>	<u>24,948</u>	<u>32,204</u>	<u>34,543</u>
New endowments capital	274	1,701	1,975	2,053
New endowments revenue	82	0	82	0
Investment income	199	832	1,031	1,109
Expenditure	(57)	(1,627)	(1,684)	(2,077)
(Decrease)/Increase in market value of investments	(996)	(4,095)	(5,091)	(3,353)
Management fee applied to capital	(11)	(35)	(46)	(71)
Balances at 31 July	<u>6,747</u>	<u>21,724</u>	<u>28,471</u>	<u>32,204</u>
Represented by:				
Capital	5,843	21,724	27,567	31,524
Accumulated income	904	0	904	680
	<u>6,747</u>	<u>21,724</u>	<u>28,471</u>	<u>32,204</u>

The opening balances have been restated to reflect the reallocation of four funds from restricted permanent to restricted expendable following the receipt of further information.

The opening restricted expendable balances have been restated at 1 August 2008 in order to consolidate the accumulated income fund with the capital fund.

College

Balances at 1 August				
Capital	5,296	24,822	30,118	34,016
Accumulated income	680	0	680	519
	<u>5,976</u>	<u>24,822</u>	<u>30,798</u>	<u>34,535</u>
New endowments capital	223	1,222	1,445	350
New endowments revenue	82	0	82	0
Investment income	199	816	1,015	1,109
Expenditure	(57)	(1,522)	(1,579)	(1,772)
Decrease in market value of investments	(996)	(4,095)	(5,091)	(3,353)
Management fee applied to capital	(11)	(35)	(46)	(71)
Balances at 31 July	<u>5,416</u>	<u>21,208</u>	<u>26,624</u>	<u>30,798</u>
Represented by:				
Capital	4,512	21,208	25,720	30,118
Accumulated income	904	0	904	680
	<u>5,416</u>	<u>21,208</u>	<u>26,624</u>	<u>30,798</u>

On further investigation some funds originally allocated as restricted permanent have been identified as restricted expendable. The reallocation of these funds have been reflected in the opening balances.

The Westfield Trust, which was set up in 1988 for the charitable purposes of Queen Mary and Westfield College has gifted its assets to the College. The income attributable to its permanent endowment fund is shown above as new endowments revenue.

NOTES TO THE FINANCIAL STATEMENTS continued

21 Revaluation reserve

	Consolidated and College	
	2009	2008
	£000	£000
Revaluations		
Balance at 1 August	13,304	13,484
Released in year	(177)	(180)
Balance at 31 July	<u>13,127</u>	<u>13,304</u>

22 Capital commitments

	Consolidated and College	
	2009	2008
	£000	£000
Capital expenditure contracted but not provided for in financial statements	<u>18,454</u>	<u>9,295</u>

23 Reconciliation of consolidated operating surplus before tax to net cash inflow from operating activities

		Consolidated	
	Note	2009	2008
		£000	£000
Surplus/(Deficit) for the year after depreciation of assets at valuation and before tax		1,623	2,095
Depreciation	10	12,908	12,891
Net return on pension asset		21	0
Deferred capital grants released to income	19	(7,485)	(8,363)
Investment income	5	(2,262)	(3,048)
Interest payable		2,636	3,132
Decrease in stocks		21	21
(Increase) in debtors	16	(1,102)	(6,711)
Increase in creditors	17	4,546	14,551
(Decrease)/increase in creditors due after one year	18	(2,663)	4,001
Net cash inflow from operating activities		<u>8,243</u>	<u>18,569</u>

24 Returns on investment and servicing of finance

Income from investments	5	1,103	1,163
Interest received	5	1,159	1,885
Interest paid		(2,636)	(3,132)
Exchange rate gain on opening net assets of foreign subsidiary		16	0
		<u>(358)</u>	<u>(84)</u>

25 Capital expenditure and financial investment

Purchase of tangible assets	10	(37,758)	(31,672)
Purchase of investments		(5,007)	(67)
Dilution of shareholding in associate undertaking		0	0
Total payments to acquire fixed and endowment asset investments		<u>(42,765)</u>	<u>(31,739)</u>
Sale of investments		5,785	0
Sale of land and buildings		0	0
Deferred capital grants received	19	16,849	17,275
Endowments received	20	1,586	2,147
		<u>24,220</u>	<u>19,422</u>
Net cash (outflow) from investing activities		<u>(18,545)</u>	<u>(12,317)</u>

26 Financing

New secured loans		3,730	13,252
Repayment of amounts borrowed		0	0
Net cash inflow from financing		<u>3,730</u>	<u>13,252</u>

NOTES TO THE FINANCIAL STATEMENTS continued

27 Analysis of changes in net debt

	At 1 August	Cash Flows	At 31 July
	£000	£000	£000
Cash at bank and in hand:			
Endowment assets	4,984	1,623	6,607
College Investments	256	10	266
Others	22,372	(16,476)	5,896
Total cash at bank and in hand	<u>27,612</u>	<u>(14,843)</u>	<u>12,769</u>
Short term deposits	11,254	7,913	19,167
Debts due after one year	(74,973)	(3,730)	(78,703)
Total net debt	<u>(36,107)</u>	<u>(10,660)</u>	<u>(46,767)</u>

28 Pension costs

The three principal pension schemes for the College's staff are the Superannuation Arrangements for the University of London (SAUL), the Universities Superannuation scheme (USS) and the Public Service Scheme (NHS). The College 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 the College.

The College's contributions to the schemes, as at 31 July 2009, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions	6.35	6.00	6.00
Employer's contributions	14.00	13.00	14.00
		<u>2009</u>	<u>2008</u>
		£000	£000
Contribution to USS		11,400	10,150
Contribution to SAUL		2,105	1,834
Public Service scheme		1,965	1,790
Contribution paid to other pension schemes see note 28v		23	20
Net charge to Income and Expenditure Account		<u>15,493</u>	<u>13,794</u>

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

Latest Actuarial Valuations	USS	SAUL
	31/03/2008	31/03/2008
Assumptions		
Investment returns per annum – past service liabilities	4.4%	6.9%
Investment returns per annum – future service liabilities	6.1%	7.0%
Salary scale increases per annum	4.3%	4.85%
Pension increases per annum	3.3%	3.35%
Results		
Market value of assets at date of last valuation	£28.843m	£1.266m
Regular contribution rate	14.3%	13.0%
Variation from regular cost	-0.3%	0
Regular contribution rate from 1 October 2009	16.0%	13.0%
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	103%	100%

i USS

The College participates in USS which is a funded defined benefit scheme where contributions are held in trust separately from the College. USS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme. 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 2008 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 above.

The College contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of actuary, decided to increase the College contribution rate to 16% of total pensionable salaries from 1 October 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

28 Pension costs continued

The next formal triennial actuarial valuation is due as at March 2011. The contribution rate will be reviewed as part of each valuation. Any surpluses or deficits arising at this or future valuations may impact on the College's future contribution commitment.

ii SAUL

The College participates in 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. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting period.

The last available actuarial valuation of the scheme was at 31 March 2008 using the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results have been given above.

The next formal actuarial valuation is due on 31 March 2011 when the above rates will be reviewed.

iii NHS Pension Scheme

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 the College to identify its share of the underlying scheme assets and liabilities. The College 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.

The College 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 members final salary at retirement and their length of service. Following the merger of the two medical colleges with the College, 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. There were no contributions due to the scheme from the College for the year ending 31 July 2009. The College meets the ongoing running expenses of the scheme together with any PPF levies. There was no shortfall in funding at the previous actuarial valuation for the scheme as at 31 July 2006, which made an allowance for the expectation that a proportion of the benefits will remain unclaimed. The next actuarial valuation of the Scheme is due as at 31 July 2009. The College may be required to make contributions to the scheme in future periods if a situation arises where there are insufficient funds to pay the benefits due.

At 31 July 2009 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>2009</u>	<u>2008</u>
Rate of increase in salaries	N/A	N/A
Discount rate	6.30%	6.50%
Inflation assumption	3.70%	3.80%
Rate of increases in pensions in payment:		
RPI up to a maximum of 5% pa (LHMC members)	3.40%	3.50%
Fixed increases of 3% pa (Barts members)	3.00%	3.00%
Assumed life expectancies on retirement at age 60 are:		
Retiring today		
Males	25.6	25.5
Females	28.4	28.3
Retiring in 20 years time		
Males	27.8	27.7
Females	30.5	30.4

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.

NOTES TO THE FINANCIAL STATEMENTS continued

28 Pension costs continued

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

	Long-term rate of return expected at 31.07.2009	Value at 31.07.2009	Long-term rate of return expected at 31.07.2008	Value at 31.07.2008
	%	£000	%	£000
Equities	7.50%	271	7.60%	277
Bonds	5.40%	810	5.60%	822
Cash	0.50%	1	5.00%	1
Total market value of assets		<u>1,082</u>		<u>1,100</u>
Present value of scheme liabilities		<u>(1,465)</u>		<u>(1,349)</u>
Deficit in scheme		<u><u>(383)</u></u>		<u><u>(249)</u></u>

The scheme has been closed since 1 August 1996 and there have been no charges to operating profit.

Analysis of the amount credited to other finance income:

	2009	2008
	£000	£000
Expected return on scheme assets	67	65
Interest cost	<u>(88)</u>	<u>(80)</u>
Net Return	<u><u>(21)</u></u>	<u><u>(15)</u></u>

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

Actual return less expected return on pension scheme assets	(85)	(52)
Experience gains and losses arising on the scheme liabilities	0	8
Changes in assumptions underlying the present value of the scheme liabilities	<u>(28)</u>	<u>48</u>
Actuarial gain recognised in STRGL	<u><u>(113)</u></u>	<u><u>4</u></u>

History of scheme assets, obligations and experience adjustments

Experience adjustments arising on scheme liabilities	0	8
Experience item as a percentage of scheme liabilities	0.0%	0.6%
Actual return less expected return on pension scheme assets	(85)	(52)
Percentage of scheme assets	(7.9%)	(4.7%)

The movement in the deficit in the year was:

	2009	2008
	£000	£000
Deficit in scheme at 1 August	(249)	(238)
Current service cost	0	0
Other finance income	(21)	(15)
Actuarial gain	<u>(113)</u>	<u>4</u>
	<u><u>(383)</u></u>	<u><u>(249)</u></u>

v Defined contribution scheme

One of the College subsidiaries offers a defined contribution pension scheme to its staff. The cost for the period was £23,000 (2008 £20,000). There were no outstanding or prepaid contributions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS continued

29 Access funds

	2009	2008
	£000	£000
Balance brought forward	3	12
Grant received	272	351
Interest	1	6
Expenditure	(273)	(366)
Balance carried forward	3	3

Funding body 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.

30 Related party disclosures

Transactions between the College 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 the College'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 the College's financial regulations and normal procedures

Name and position	Related Party	Income	Expenditure	Debtor	Creditor
		£000	£000	Balance £000	Balance £000
Ms Mary Elford, Non executive director	Barts and the London NHS trust				
Professor Sir Nicholas Wright, Non executive director	Barts and the London NHS trust	12,142	2,713	848	19
Professor Sir Nicholas Wright, Director	Barts Foundation for Research	2,993	0	241	0
Mr Charles Perrin, Trustee	University of London	262	1,664	179	0
Mr Charles Perrin, Non executive director	Retroscreen Virology Limited	306	35	337	0
Dr Alicia Jolles, Trustee	Westfield Trust				
Mr Vernon McClure, Trustee	Westfield Trust	1,359	0	0	0

31 Surplus on Continuing Operations for the Period

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

	2009	2008
	£000	£000
College's surplus for the period before Gift Aid and gain on sales of fixed assets	3,742	3,683
Loss on sale of tangible assets	0	(552)
Gift Aid receivable from subsidiary undertakings	0	21
	3,742	3,152
Deficit retained by subsidiary undertakings after Gift Aid payments	(1,654)	(795)
Elimination of gains on intra-group transactions on consolidation	0	(18)
Total	2,088	2,339

32 Exceptional Items

There were no exceptional items in 2009 (2008 none).

33 Contingent Liability

The College 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 2009 the value of the draw downs including bank interest stood at £16,981,157. The College'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.

Nanoforce Technology Limited and Queen Mary Bioenterprises Limited have received funding through government grants. The value of these grants would become a liability for the College in the event of the companies being unable to meet the terms of the grant agreements and being unable to repay the grants received. As at 31 July 2009 the value of government grants received stood at £10,507,946. At present it is expected that both companies should be able to meet the requirements of their respective grant agreements.

COUNCIL MEMBERSHIP 2008-09

CHAIRMAN	Dr C Bowe, MSc, PhD
VICE-CHAIRMAN	Mr J M St J Harris, MA(Oxon)
TREASURER	Mr C J Perrin, CBE, MA(Oxon), Barrister, Hon FRCP

EX OFFICIO MEMBERS

The Principal (resigned 31/08/2008)	Professor A F M Smith, MA(Cantab), MA (Oxon), MSc, PhD, FRS, FIS, FIMA
The Principal (Acting)	Professor P E Ogden, BA (Dunelm), D Phil (Oxon)
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
The President of the Students' Union	Mazdak Alizadeh

APPOINTED MEMBERS [NOT BEING STAFF OR STUDENTS OF THE COLLEGE]*Tenure ends or ended*

Mr J M St J Harris, MA(Oxon)	31/08/2012
Mr A Walker	31/08/2014
Dr A M Jolles, BA, PhD, LLM	31/08/2012
Dr C Bowe, MSc, PhD	31/08/2009
Mr C J Perrin, CBE, MA(Oxon), Barrister, Hon FRCP	31/08/2012

ELECTED MEMBERS [STAFF]

Professor N Lemoine MD PhD FRCPATH FMedSci	31/08/2010
Professor T T MacDonald, BSc, PhD (Glasgow), FRCPATH, FMedSci	31/08/2009
Professor E Welch, BA (Harvard), PhD (Lond)	31/08/2009
Professor C M Reed, BA(Keele), LLM	31/08/2010
Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys	31/08/2010
Professor Chris Fowler, BSc, MBBS, MA, MS, FRCS, FRCP, FRCS (Urol), FEBU	31/08/2011
Professor John Williams. PhD (Aston), CMath, MICE, MIWEM, FIMA, CEng	31/08/2011

ELECTED MEMBER [STUDENT]

Mr D Shukur

ELECTED MEMBER [ACADEMIC RELATED STAFF]

Barbara Ashcroft	31/08/2010
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ELECTED MEMBER [NON-ACADEMIC STAFF]

Simon Barlow	31/08/2010
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CO-OPTED MEMBERS

Mr A B Gibbins, MA(Oxon), FCA	13/12/2009
Mr F V McClure, BA	31/08/2013
Mr D Sizer	31/08/2009
Mr A Ullah	31/08/2013
Ms M Elford	12/12/2011
Ms E Hall	12/12/2011
Sir David Kitchin	12/12/2011
Mr D Thomas	12/12/2011
Mr P Wolton	12/12/2011
Sir Nicholas Montagu	31/08/2014

AUDIT AND COMPLIANCE COMMITTEE MEMBERSHIP 2008-09

CHAIRMAN [AN EXTERNAL MEMBER OF COUNCIL]	Mr A B Gibbins, MA(Oxon), FCA
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TWO OTHER EXTERNAL MEMBER OF COUNCIL

Mr D Thomas
Ms E Hall

TWO ACADEMIC MEMBERS OF COUNCIL

Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys	31/08/2009
Professor N Lemoine MD PhD FRCPATH FMedSci	18/09/2008