Financial Statements
2009-2010




Queen Mary
University of London

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Principal's Report

2009/10 saw the launch of the Queen Mary Strategic Plan, 2010-15, which takes as its starting point the very considerable achievements during the period of the previous plan (2006-10). The stature of the institution as a centre of broadly based research excellence improved dramatically: for example, we achieved an increase in ranking by research quality from 48th in 2001 to 11th in the 2008 Research Assessment Exercise. Developments on our campuses, such as the Westfield Student Village at Mile End and the Blizard Building at Whitechapel, confirmed the Queen Mary commitment to distinctive facilities of the highest quality. International initiatives have flourished, including a major joint programme with the Beijing University of Posts and Telecommunications.

Against this background the new Strategic Plan makes it the Objective of the Queen Mary to be firmly established by 2015 within the top ten research based universities in the UK on the basis of objective and widely respected criteria. We enter the period of the new Strategic Plan with the sobering knowledge that these years will be characterised by pressures on UK public funding significantly greater than experienced in previous decades. October 2010 saw the release of the Browne Report entitled "Securing a Sustainable Future for Higher Education" and the Government reported the outcome of the Spending Review. Both represent major changes for higher education in England, though it is worth noting that they represent but two steps in a developing progression that will continue to emerge.

The Browne Report, while formally independent, was clearly prepared with a detailed understanding of the financial context provided by the current government. Thus, for example, the recommendations are based on the clear assumption of a substantial (of the order of 80%) reduction in the HEFCE teaching allocation to universities. The Spending Review confirmed the principle that a substantial cut would be made.

If one accepts the premise of the Browne Report that a major re-balancing is essential between the contributions towards the costs of higher education made by students and by the government, then the proposals represent a largely coherent package. There is concern, however, that substitution of direct government funding (i.e. the HEFCE teaching allocation) by contributions made by graduates may be inadequate and could lead to real and possibly substantial cuts in income for universities. Browne estimates that an average fee of £7,000 pa would be required (in the absence of cost savings) to replace the anticipated reduction in HEFCE teaching grant. A second, related concern is that imperfect phasing between a reduction in funding via HEFCE and increased fee income will lead to some irreparable financial loss.

The Comprehensive Spending Review included confirmation that the overall resource budget for Higher Education, excluding research funding, will reduce by 40% from £7.1 billion to £4.2 billion by 2014-15. The budget for science and research is to be protected by maintaining the science budget in cash terms over the Spending Review period with resource spending of £4.6 billion a year. This will represent a real-terms cut of approximately 10% over this period offset by anticipated efficiency savings of £324m from Universities; nevertheless, this partial protection of the research budget suggests that the arguments for the fundamental economic importance of scientific research have been heard and at least partly understood. Significant details are awaited, notably the distribution of funding between the Research Councils.

In anticipation of the Browne proposals and the funding reductions, careful modelling and detailed examination of the implications has been in progress for some time at Queen Mary but more detailed work is required. A number of important implications are quite clear:

- We are seeing a fundamental shift in the balance of university funding away from government allocations and it is inconceivable that this trend will be reversed in the foreseeable future.
- Our educational provision will be scrutinised in great detail with respect to both quality and value for money, in a context in which potential students will wish to make comparisons between rival institutions as never before. Moreover, potential students will wish to understand the total costs of their education, including fee levels as well as housing and living costs.
- The pressure to understand and to bear down on our own costs will increase.
- We will need to make clear and reasoned decisions about the level of fees for each of our undergraduate (and postgraduate) courses, taking due note of the demand for our courses, their real and perceived quality, our competitors and the costs of delivery.
- Uncertainty over the impact that the measures in the Browne Report may have on participation rates by students from lower income households makes it important that we re-evaluate the measures we take to achieve our objective of providing the finest education to those students most able to benefit from our programmes, regardless of their financial background.

In the historical context of UK higher education, these are unsettling developments but they are not unexpected. The Queen Mary Strategic Plan, 2010-2015, was drawn up in expectation of financially challenging times ahead but in the firm conviction that the coming period can be successfully navigated with the aid of clear strategic thinking. In short, the conviction that future success in pursuing our twin missions of knowledge creation and knowledge dissemination is dependent on adopting radical new approaches is only reinforced by recent developments.

Professor Simon Gaskell
23 November 2010


Architectural

Charitable Status and Public Benefit

As an exempt charity regulated by HEFCE, the College has regard to the Charity Commission's guidance on public benefit and satisfies the 'public interest' test, as summarised and demonstrated below.

Charitable Status of the College
Queen Mary and Westfield College was established by Act of Parliament and granting of a Royal Charter in 1989 following the merger of Queen Mary College (incorporated by charter in 1934) and Westfield College (incorporated in 1933). The Charter has been revised on a number of occasions: 1995 to reflect the merger of the College with the Barts and the London School of Medicine and Dentistry; 2008, following the College's successful application to the Privy Council for Degree Awarding Powers; July 2010, following a governance review and resultant revocation of the Statutes. The College operates under the name, 'Queen Mary, University of London'.

Queen Mary, University of London is an 'exempt charity' under the Charities Act 1993. This status means that the Queen Mary is not required to register directly with the Charity Commission, and in turn is not subject to its direct supervision of the Charity Commission. However, following the Charities Act 2006, from 01 June 2010 HEFCE became 'principal regulator' of the vast majority of HEIs in England, including Queen Mary.

Statement of compliance with Charity Commission guidance and the 'public interest' test
The public interest underpins all aspects of Queen Mary's mission and activities as a Higher Education Institution. As stated in the Charter:

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

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

- the provision of short courses via the Queen Mary Centre for Enterprise and Development Opportunities (QUEDOS) for Continuing Professional Development and community knowledge transfer.

- its co-sponsorship of the Drapers' Academy with the Drapers' Company, a leading City Livery Company with which the College has a long-standing partnership and from which it has received significant support. The Academy is located on Harold Hill in the London Borough of Havering and forms a key part of the Harold Hill Learning Village, a major educational initiative by Havering to regenerate an area of the Borough that has experienced high levels of unemployment and poor progression to further and higher education.

- as lead partner in a new National Challenge Trust School in Tower Hamlets; St Paul's Way Trust School.

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

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

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

The prevention or relief of poverty
World-leading research in the School of Geography into social justice, homelessness, changing labour markets, welfare regimes and immigration in the shaping of poverty and livelihood strategies in cities in the UK and worldwide. Academics from the School have played a key role in the launch and delivery of the London Living Wage Campaign, with Queen Mary declared as the first living wage campus in the UK in 2006. Queen Mary has been shortlisted for the 2010 Times Higher Education Outstanding Contribution to Sustainable Development for its involvement in this initiative since 2001.

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

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

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


MEDICAL LONDON·HOSPITAL COLLEGE
Barts and The London
Garrod Building

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 2010. Details of the group are listed within notes 12 to 14.

Highlights
2009/10 was the first year to reflect the financial outcome of Queen Mary's success in the 2008 Research Assessment Exercise (an increase in quality related research funding of £7.2m per annum). The year also saw strong student recruitment and a substantial profit on the sale of shares in a spin out company. The group made a surplus of £10.6m for the year ended 31 July 2010. This surplus was achieved after accounting for three significant and non-recurring items.

Firstly, the group made £10.9m profit on disposal of a spin out company, Apatech Limited.

Secondly, the banking crisis resulted in a continuing shortage of capital to support bio-technology start up companies. Such companies are the principal potential tenants for Queen Mary Bioenterprises Innovation Centre. The resultant reduction in forecast cash flows gives an impairment adjustment to the value of the building of £5.2 million. This adjustment is subject to annual review.

Thirdly, in light of cuts to capital funding for higher education, Queen Mary has decided not to proceed with the proposed development on the site of the Old Chemistry Building. Accordingly, the site preparation costs of the Old Chemistry Building now have no value and are written off by way of an impairment adjustment of £5.5 million. An additional expense of £2.1m has been provided relating to the costs of making safe and then demolishing the building.

The table below provides some indicators of improvements in the group's financial position.

	Increase/ (decrease)	**Year to 31 July 2010**	Year to 31 July 2009
	%	**£000**	£000
Income from recurrent activities	9%	**289,824**	264,913
Surplus		**10,592**	2,088
Capital expenditure	21%	**45,611**	37,758
Net cash inflow from operating activities		**19,591**	8,243
Net assets	7%	**291,441**	272,235

Consolidated Income & Expenditure
Income received in the form of tuition fees increased by 17%. Recruitment to flagship masters programmes such as the MSc in Finance and Economics, in particular, grew significantly.

Despite cuts in HEFCE funding for all universities during the year, grant income for Queen Mary rose by 7% due to the £7.2m favourable financial outcome of its performance in the RAE.

Income from research grants and contracts increased by 7% to £68.5m. Importantly, recovery of overhead improved by 20% to £7.4m.

While total income on recurrent activities grew by 9%, expenditure on those activities increased by 6%. Staff costs increased by 7% as the volume of activity grew over the year. Staff numbers increased by 6% with 57 more academic staff, 95 more professional services staff in central and academic departments and 34 more technical and operational staff employed in 2009/10 in comparison with 2008/09. However the majority of the 95 extra staff in professional service areas were student helpers and other temporary and part-time staff for whom new contracts have been issued. In previous years, the costs of these staff were included under other operating expenditure.

Other operational expenditure increased by 6% as a consequence of greater research and teaching activity.

Capital Investment
Total capital expenditure of £45.6m (£37.8m in 08/09) was funded by £16.1m 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. Substantial progress was made in constructing the new humanities building at Mile End (£11m in 2009/10) and the Heart Centre at Charterhouse Square (£5m in 2009/10.)

Cash and Debt
Cash inflow from operating activities was £19.6m (£8.6m in 08/09). Cash balances and short-term deposits ended the year at £26.6m (£25.0m in 08/09). Total long term borrowing for the College and its subsidiaries stood at £78.7m at 31 July 2010. £35.1m was from the College's £60m long term loan facility with Lloyds TSB. A further £10m was drawn shortly after the balance sheet date to fund the expenditure that had been incurred on the humanities building and new student information system. £30m of this borrowing is hedged by interest rate swaps, providing protection against any adverse movements on interest rates. Further 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 Blizard 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.

Financial and Operating Review (cont)

Current Liabilities
Current liabilities include a number of large grants that were received in advance of expenditure to be incurred in 2010/11. 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 £10.4m is expected to unwind.

Investments and Treasury Management
Following the 2008 banking crisis and subsequent draining of liquidity from financial markets, endowment investments recovered to stand at £30.0m in comparison with £28.4m as at the previous year end. Following a fall in market value of £5.1m in the previous year, the market value of endowment investments increased by £2.8m in 2009/10. While financial markets, in general, showed a stronger recovery than this, much of the capital appreciation was in higher risk investments not considered suitable for long-term endowments. £0.5m of new endowments were received while total expenditure and management fees exceeded income by £1.8m. Endowment assets are managed by Newton Investment Management Limited who were appointed in December 2001. In July 2010, Finance and Investment Committee revised its investment strategy to be 75% invested in orthodox equities and bonds and 25% in a real return fund. The overall long-term performance objective is to achieve a total return at least equal to the Consumer Price Index plus 3%. A competitive process for the selection of investment managers is planned for 2011.

The College also has £1.9m of investment funds similarly managed by Newton. This investment stood at £1.8m a year earlier.

The College's investment of working cash balances is monitored by Finance and 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.

Pension Funds
Queen Mary 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. Changes to limit the escalation of liabilities are being developed with regard to 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 of the Institution are discussed. The Learning Institute works to maximise 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
- paid a minimum of the London Living Wage to all staff in its employment on its campuses and continues to make progress in ensuring that similar arrangements are in place for staff employed by its contractors.

Student Numbers
The number of full time equivalent students enrolled during the year increased from 15,391 in 2008/09 to 16,190 in 2009/10. Of these, 1,919 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.

Outlook
The challenges of the next few years are clearly stated in the Principal's Report. Queen Mary stands relatively well placed to meet those challenges. Early indicators of student intake for 2010 are good, particularly with regard to overseas post-graduate students. Our faculties continue to win a growing share of research grants and contracts. Heads of Schools and faculties are currently engaged in the formulation of strategic plans. Professional services are subject to review. The outcome will be the 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

During 2009-10 the Council of Queen Mary commissioned a governance review to enhance the operation of Council and its committees and rationalise the College's instruments of government: its Charter, Statutes and Ordinances. As an outcome of the review, Queen Mary successfully petitioned the Privy Council to amend the Charter and revoke the Statutes. Queen Mary has fully revised its Ordinances to reflect the new structure. The revised governance model for the College came into effect in September 2010. On this basis, the information provided below reflects the governance model in place prior to completion of the review exercise.

Queen Mary, legally known in its Charter as Queen Mary and Westfield College, University of London is formed by a Charter of Incorporation. The Charter and Statutes constitute the instruments of Queen Mary's incorporation, the principles and provisions of which are amplified in the Ordinances. Queen Mary as with any other chartered institution requires Privy Council approval to revise the Charter and Statutes.

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 governing body of Queen Mary and is responsible for the strategic oversight of the institution and to determine the educational character and mission. It specific responsibility includes approval of its financial strategy and securing its assets. The Council comprises a majority of external members whose principal role is to bring independent expertise to the College from a range of sectors and professional spheres and to hold, collectively, the Executive to account. A Nominations Committee exists, with a majority of external members, to recommend nomination to the Committees of Council.

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

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, quality assurance and enhancement and teaching and research matters.

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 of Barts and The London School of Medicine and Dentistry and three Vice-Principals.

College Committees

Although the Council meets six times in each academic year, much of its detailed work is handled initially by committees, in particular Finance and Investment Committee and Audit and Compliance Committee. The categories of membership of the Finance and Investment Committee are laid down by Ordinance, and the Nominations Committee is responsible for recommending appointments to the Council.

The Audit and Compliance Committee meets four times a year. It is responsible for overseeing the internal audit process and considers reports and recommendations for the improvement of the Queen Mary'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. The Financial Statements are adopted by Council on the recommendation of Audit and Compliance Committee.

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 and Governance 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.

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.

Statement of Corporate Governance and Internal Control (cont)

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.

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

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 and Investment 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:

- 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.
- 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 the Senior Executive 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.

- For 2009/10, the College procured its internal audit service from Deloitte & Touche Limited, which operates to standards defined in the revised HEFCE Audit Code of Practice. Following a tendering exercise, KPMG were appointed as internal auditors for 2010/11.

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 followed a programme reviewing compliance risks by way of receiving reports from each of the committees responsible for those risks.

Report of the Independent Auditors

Independent auditors' report 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 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, 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 law and United Kingdom 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 Charter and Statutes of the institution and for no other purpose. 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, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, funds 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 if, in our opinion, the information given in the financial and operating review is not consistent with those financial statements, the institution has not kept proper 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 and the group. 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.

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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 the group's and the institution's affairs at 31 July 2010, 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, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice;

iii. in all material respects, funds 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 properly 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 funds provided by HEFCE have been applied in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and any other terms and conditions attached to them.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Notes:
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.

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 2010.

The consolidated income and expenditure account includes the results of the College subsidiaries and the share of profits, losses and taxation of joint venture and associated undertakings. Details of the investments made in these companies are presented in notes 12 to 14.

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.

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.

Statement of accounting policies (cont)

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.

13 Pension Schemes
As described in note 29, 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 as described in Note 29. 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 2010

	Note	2010	2009
		£000	£000
Income			
Funding body grants	**1**	**103,971**	96,823
Tuition fees and education contracts	**2**	**75,467**	64,245
Research grants and contracts	**3**	**68,472**	63,840
Other operating income	**4**	**40,440**	37,804
Endowment income and interest receivable	**5**	**1,477**	2,262
Total income		**289,827**	264,974
Less: Share of income from joint ventures	**13**	**(3)**	(61)
Net Income		**289,824**	264,913
Expenditure			
Staff costs	**6**	**170,281**	159,729
Other operating expenses	**7**	**95,420**	88,017
Other operating expenses: impairment of fixed assets	**11**	**10,590**	0
Depreciation	**11**	**13,038**	12,908
Interest payable		**2,230**	2,636
Total expenditure	**8**	**291,559**	263,290
(Deficit)/Surplus for the year after depreciation of assets at valuation and before tax		**(1,735)**	1,623
Share of operating (loss)/profit in joint ventures	**13**	**(10)**	17
Share of operating (loss) in associates	**14**	**(16)**	(204)
Taxation	**9**	**(6)**	(1)
(Deficit)/Surplus for the year after depreciation of assets at valuation and taxation and before exceptional items		**(1,767)**	1,435
Sale of fixed asset investment	**10**	**10,863**	0
Surplus for the year after depreciation of assets at valuation, disposal of assets and taxation		**9,096**	1,435
Net expenditure in the year transferred to accumulated income in endowment funds	**21**	**1,435**	653
Surplus for the year retained within general reserves	**32**	**10,531**	2,088

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 2010

	Note	2010	2009
		£000	£000
(Deficit)/Surplus on continuing operations before taxation		**(1,735)**	1,623
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	**22**	**174**	177
Historical cost (deficit)/surplus for the period before taxation		**(1,561)**	1,800
Retained historical cost surplus after taxation		**10,705**	2,265

The notes on pages 24 to 42 form part of these financial statements

Balance Sheet
at 31 July 2010

		Consolidated		College	
	Note	**2010**	2009	**2010**	2009
		£000	£000	**£000**	£000
Fixed assets					
Tangible assets	**11**	**351,405**	329,423	**343,498**	316,121
Investments	**12**	**913**	713	**4,429**	4,229
Investments in joint venture	**13**	**0**	4	**0**	0
Investments in associates	**14**	**46**	644	**1**	1
		352,364	330,784	**347,928**	320,351
Endowment asset investments					
Endowment asset investments	**15**	**29,948**	28,471	**28,278**	26,624
College investment funds	**16**	**1,925**	1,759	**1,925**	1,759
Total investment funds		**31,873**	30,230	**30,203**	28,383
Current assets					
Stocks		**318**	176	**318**	176
Debtors	**17**	**29,950**	30,104	**45,799**	33,411
Investments (short term deposits)		**14,461**	19,167	**14,461**	19,167
Cash at bank and in hand		**12,109**	5,896	**925**	3,726
		56,838	55,343	**61,503**	56,480
Creditors: amounts falling due within one year	**18**	**(69,128)**	(63,425)	**(70,877)**	(63,787)
Share of net liabilities in joint ventures	**13**	**(5)**	0	**0**	0
Share of net liabilities in associates	**14**	**(329)**	(273)	0	0
Net current assets/(liabilities)		**(12,624)**	(8,355)	**(9,374)**	(7,307)
Total assets less current liabilities		**371,613**	352,659	**368,757**	341,427
Creditors: amounts falling due after more than one year	**19**	**(79,744)**	(80,041)	**(62,762)**	(63,060)
Net assets excluding pension liability		**291,869**	272,618	**305,995**	278,367
Pension liability	**29**	**(489)**	(383)	**(489)**	(383)
Net assets including pension liability		**291,380**	272,235	**305,506**	277,984
Deferred capital grants	**20**	**187,229**	179,583	**180,786**	171,494
Endowments					
Expendable	**21**	**22,520**	21,747	**22,181**	21,208
Permanent	**21**	**7,428**	6,724	**6,097**	5,416
		29,948	28,471	**28,278**	26,624
Reserves					
Income and expenditure reserve excluding pension liability		**61,755**	51,134	**83,978**	67,122
Pension reserve		**(489)**	(383)	**(489)**	(383)
Income and expenditure reserve including pension liability		**61,266**	50,751	**83,489**	66,739
Revaluation reserve	**22**	**12,953**	13,127	**12,953**	13,127
Other reserves		**(16)**	303		0
Total Reserves		**74,203**	64,181	**96,442**	79,866
Total		**291,380**	272,235	**305,506**	277,984

The notes on pages 24 to 42 form part of these financial statements

Approved by Council on 23 November 2010 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 2010

	Note	2010	2009
		£000	£000
Surplus on continuing operations after depreciation of fixed assets at valuation and tax		**9,096**	1,435
Add			
Currency translation on net foreign investment		**4**	16
Revaluation of investments		**(443)**	(364)
New endowments	**21**	**463**	2,057
Revaluation of endowment investments	**21**	**2,799**	(5,091)
Capital spend from endowment funds	**21**	**(263)**	0
Management fee charged to capital funds	**21**	**(59)**	(46)
Pension liability @ 31.07.08		**0**	(249)
Actuarial adjustment on defined benefit pension scheme	**29**	**(98)**	(113)
Total recognised gains relating to the year		**11,499**	(2,355)
Reconciliation			
Opening reserves and endowments		**92,652**	95,007
Total recognised gains and losses relating to the year		**11,499**	(2,355)
Closing reserves and endowments		**104,151**	92,652

The notes on pages 24 to 42 form part of these financial statements

Consolidated Cash Flow Statement
for the year ended 31 July 2010

	Note	2010	2009
		£000	£000
Net cash inflow from operating activities	24	19,637	8,243
Returns on investments and servicing of finance	25	(749)	(358)
Capital expenditure and financial investment	26	(21,308)	(18,545)
Management of liquid resources	28	4,706	(7,913)
Financing	27	0	3,730
(Decrease)/increase in cash	28	2,286	(14,843)

Reconciliation of net cash flow to movement in net debt

	Note	2010	2009
Increase/(decrease) in cash for the period		2,286	(14,843)
Change in short term deposits		(4,706)	7,913
Change in debt		0	(3,730)
Change in net debt		(2,420)	(10,660)
Net debt at 1 August		(46,767)	(36,107)
Net Debt at 31 July	28	(49,187)	(46,767)

The notes on pages 24 to 42 form part of these financial statements

Notes to the financial statements

1. Funding body grants

	Note	2010	2009
		£000	£000
Recurrent grant		**92,363**	83,418
Specific grants			
Higher education innovation fund		**1,617**	1,366
Teacher quality enhancement fund		**444**	467
Other		**3,997**	5,737
		6,058	7,570
Deferred capital grants released in year			
Buildings	**20**	**2,481**	2,366
Plant	**20**	**952**	669
Equipment	**20**	**2,117**	2,800
		5,550	5,835
Total		**103,971**	96,823

2. Tuition fees and education contracts

		2010	2009
Full-time students charged home/EU fees		**34,346**	30,482
Full-time students charged overseas fees		**35,349**	27,698
Part-time students		**1,844**	2,683
Research training support grants		**400**	312
Short course fees		**884**	1,047
Other fees and support grants		**2,644**	2,023
		75,467	64,245

3. Research grants and contracts

	Note	2010	2009
Research councils		**23,525**	21,394
UK central government bodies		**7,263**	5,701
UK industry and commerce		**3,555**	3,981
UK-based charitable and health bodies		**21,925**	23,277
European Community		**6,321**	4,840
Other overseas countries		**2,772**	2,461
Other		**2,049**	956
Deferred capital grants released in year	**20**	**1,062**	1,230
		68,472	63,840

4. Other operating income

	Note	2010	2009
Residences, catering and conferences		**12,202**	11,400
Other services rendered		**7,848**	6,871
Health authorities		**14,372**	13,228
Other income		**4,200**	5,824
Income from joint venture		**3**	61
Deferred capital grants released in year: impairment	**20**	**1,227**	0
Deferred capital grants released in year: depreciation	**20**	**588**	420
		40,440	37,804

5. Endowment and investment income

	Note	2010	2009
Income from expendable endowments	**21**	**932**	832
Income from permanent endowments	**21**	**197**	199
Income from college investments		**69**	72
Income from short term investments		**279**	1,159
		1,477	2,262

Notes to the financial statements (cont)

6. Staff

	2010	2009
	£000	£000
i) Staff costs:		
Wages and salaries	**140,407**	132,381
Social security costs	**12,075**	11,855
Pension costs	**17,799**	15,493
	170,281	159,729
(ii) Emoluments of the Principal		
Basic salary	**168**	18
London allowance	**0**	0
Special allowance	**0**	1
Benefits in kind	**39**	0
(iii) Emoluments of the Acting Principal		
Basic salary	**27**	185
London allowance	**0**	0
Special allowance	**7**	0
Benefits in kind	**0**	0

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 £26,800 for the Principal (2009 £2,543) and £4,713 (2009 £25,923) for the Acting Principal.

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

(iv) 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.

	2010	2009
	Number of staff	Number of staff
£100,001 — £110,000	**23**	29
£110,001 — £120,000	**25**	11
£120,001 — £130,000	**8**	12
£130,001 — £140,000	**12**	10
£140,001 — £150,000	**3**	5
£150,001 — £160,000	**5**	8
£160,001 — £170,000	**7**	6
£170,001 — £180,000	**1**	4
£180,001 — £190,000	**4**	2
£190,001 — £200,000	**1**	0
£200,001 — £210,000	**2**	1
£210,001 — £220,000	**1**	1
£220,001 — £230,000	**3**	1
£250,001 — £260,000	**0**	1

No redundancy payments were made to higher-paid staff in the year to 31 July 2010 (2009 £Nil).

(v) Compensation for loss of office:

	2010	2009
	£000	£000
Compensation payable	**712**	162

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

6. Staff (cont)

(vi) Average number of employees by category

	2010	2009
Academic and education	**1,550**	1,494
Professional services *	**1,234**	1,139
Technical services	**209**	193
Operational services	**411**	392
	3,405	3,218

* The increase in the number of staff within Professional services includes student helpers the costs for whom were previously included in other operating expenses.

(vii) Trustees (members of Council)
The Trustees neither received nor waived any emoluments during the year (2009 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2010 5 Trustees (2009 4) were reimbursed £1,634 (2009 £895).

7. Other operating expenses

	2010	2009
	£000	£000
Other operating expenses include:		
Residences, catering and conferences operating expenses	**4,279**	5,204
Consumables and laboratory expenditure	**23,012**	23,071
Funds payable to other colleges	**985**	975
Equipment	**6,919**	5,502
Books and periodicals	**2,212**	1,918
Fellowships, scholarships, prizes and studentships	**19,216**	16,835
Heat, light, water and power	**3,559**	3,991
Repairs and general maintenance*	**3,223**	1,917
Rent, rates and insurance	**3,243**	2,726
Other premises costs	**1,244**	1,304
Provision for doubtful debts	**(831)**	(49)
Grant to Students Union	**872**	739
Auditors' remuneration	**133**	150
Auditors' remuneration in respect of non-audit services	**97**	85
Unfunded pension costs	**49**	41
University of London central charges	**1,125**	1,198
Professional and other fees	**5,630**	4,763
Conferences, travel and training	**6,993**	6,216
Non-established staff expenses	**7,561**	6,629
Other expenses**	**5,899**	4,802
	95,420	88,017
Impairment of fixed assets (see note 11(i))	**10,590**	0
	106,010	88,017

* Includes £2,097,463 costs not capitalised relating to a former teaching and research building (2009 £nil).
** Includes £128,104 in respect of Internal Audit fees (2009 £91,278).

Notes to the financial statements (cont)

8. Analysis of expenditure by activity

	Staff Costs	Depreciation	Other costs	Interest Payable	2010 Total	2009 Total
	£000	**£000**	**£000**	**£000**	**£000**	£000
Academic departments	96,606	1,770	31,241	0	**129,617**	122,223
Academic services	8,543	695	6,817	0	**16,055**	14,447
Research grants and contracts	34,050	776	26,280	0	**61,106**	57,717
Residences, catering and conferences	2,544	1,186	4,279	0	**8,009**	9,909
Premises	7,696	7,220	15,806	1,316	**32,038**	23,042
Administration	18,746	31	14,252	0	**33,029**	31,940
Other	2,096	1,360	7,335	914	**11,705**	4,012
Total per income and expenditure account	**170,281**	**13,038**	**106,010**	**2,230**	**291,559**	263,290
Total for year ended 31 July 2009	159,729	12,908	88,017	2,636		263,290

		Other costs	2009
Other operating expenses include:			
External auditors remuneration in respect of audit services		**133**	150
External auditors remuneration in respect of non-audit services		**97**	85
The depreciation charge has been funded by:			
Deferred capital grants released	**20**	**7,200**	7,485
Revaluation reserve released	**22**	**174**	177
General income		**5,664**	5,246
		13,038	12,908

9. Taxation

	2010	2009
	£000	£000
Macau complementary (corporation) tax at 12% on the profits of Queen Mary Research Laboratories (Macau) Limited	**7**	0
Corporation tax reclaimed by Apriorie Limited	**(1)**	1
	6	1

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

10. Sale of fixed asset investment

Queen Mary Innovation Limited, a wholly owned subsidiary of College, sold its entire shareholding in Apatech Limited on 28 February 2010. The shares had been received in consideration for the transfer of intellectual property and had been held on the balance sheet at zero value.

	2010
	£000
Income	**11,257**
Associated legal and consultants fees	**(394)**
	10,863

In addition to the income recognised above, there are two milestone payments that will become due in the event of the defined sales targets being achieved.

There will be no tax liability on the initial consideration as the taxable profits of Queen Mary Innovation Ltd will be gift aided to the College. The Directors of Queen Mary Innovation Limited believe that there are sufficient tax losses in the group which can be used against future milestone payments from the sale of shares in Apatech Limited such that no corporation tax liability will materialise when these payments are received.

Notes to the financial statements (cont)

11. Tangible assets

	Freehold land and buildings	Long leasehold	Assets in course of construction	Plant and machinery	Equipment	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Consolidated						
Cost						
At 1 August 2009	278,444	26,516	37,138	26,955	51,599	**420,652**
Transfers	25,421	0	(39,291)	7,718	6,152	**0**
Additions at cost	1,500	0	41,953	374	1,783	**45,610**
Disposals at cost (note 11(i))	(1,982)	0	(3,059)	0	(474)	**(5,515)**
At 31 July 2010	**303,383**	**26,516**	**36,741**	**35,047**	**59,060**	**460,747**
Depreciation						
At 1 August 2009	(36,966)	(7,319)	0	(6,027)	(40,917)	**(91,229)**
Transfers	104	0	0	0	(104)	**0**
Charge for the year	(5,108)	(384)	0	(3,127)	(4,419)	**(13,038)**
Impairment (note 11(i))	(3,493)	0	(241)	(1,510)	0	**(5,244)**
Disposals	142	0	0	0	27	**169**
At 31 July 2010	**(45,321)**	**(7,703)**	**(241)**	**(10,664)**	**(45,413)**	**(109,342)**
Net book value						
At 31 July 2010	**258,062**	**18,813**	**36,500**	**24,383**	**13,647**	**351,405**
Net book value						
At 1 August 2009	241,478	19,197	37,138	20,928	10,682	329,423
College						
Cost						
At 1 August 2009	290,877	26,516	12,317	26,101	50,950	**406,761**
Transfers	8,514	0	(14,469)	(197)	6,152	**0**
Additions at cost	1,500	0	40,807	321	1,783	**44,411**
Disposals at cost (note 11(i))	(1,982)	0	(3,059)	0	(474)	**(5,515)**
At 31 July 2010	**298,909**	**26,516**	**35,596**	**26,225**	**58,411**	**445,657**
Depreciation						
At 1 August 2009	(36,966)	(7,317)	0	(5,824)	(40,533)	**(90,640)**
Transfers	104	0	0	0	(104)	**0**
Charge for the year	(4,769)	(384)	0	(2,245)	(4,290)	**(11,688)**
Impairment (note 11(i))	0	0	0	0	0	**0**
Disposals	142	0	0	0	27	**169**
At 31 July 2010	**(41,489)**	**(7,701)**	**0**	**(8,069)**	**(44,900)**	**(102,159)**
Net book value						
At 31 July 2010	**257,420**	**18,815**	**35,596**	**18,156**	**13,511**	**343,498**
Net book value						
At 1 August 2009	253,911	19,199	12,317	20,277	10,417	316,121

Notes to the financial statements (cont)

11. Tangible assets (cont)

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

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 25 years from 25 November 2008. The rent reserved is one peppercorn per annum plus an annual rent equal to the rents received from the sub-tenancies. In addition the College holds an underlease on premises at Goswell Road also for a term of 25 years from 25 November 2008, on similar terms.

Plant and machinery includes plant at a cost of £24,763,355 with a net book value of £16,866,254 in respect of assets under finance leases. The depreciation charge in respect of these assets is £2,148,981. Equipment includes assets at a cost of £1,849,784 with a net book value of £610,256 in respect of assets under finance leases. The depreciation charge in respect of these assets is £305,128.

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.

(i) Impairment

	2010
	£000
Impairment of fixed asset building owned by Queen Mary Bioenterprises Ltd	**5,244**
Write off of site preparation costs of former teaching and research building:	**5,515**
Accumulated depreciation	**(169)**
	10,590

As a result of the yearly impairment review undertaken by College and its subsidiaries, two buildings have been impaired. One is a former teaching and research building which is surplus to operational requirements and will be demolished. The impairment is shown as a disposal for no consideration. Queen Mary Bioenterprises Ltd owns a building which will be rented to technology start up companies. The amount impaired is based on the future timing and amount of cash flows and the residual value of the building using best estimates and an appropriate discount rate. The prospects for recovery within the property sector were also taken into account. In accordance with the policy on government grants, £1,226,970 of grant was released from deferred income to the income and expenditure account in relation to this impairment charge (see note 4).

12. Investments

Subsidiary companies and other investments	**Consolidated**		**College**	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Investment in subsidiary companies at cost	**0**	0	**3,516**	3,516
Other Investments	**913**	713	**913**	713
	913	713	**4,429**	4,229

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 Research Laboratories (Macau) Limited	Macau	Ordinary	48.0%	Smart antennas for wireless networks

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

Notes to the financial statements (cont)

12. Investments (cont)

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

Nanoforce Technology Limited	England	Ordinary	100.0%	Micro and nanotechnology facility
Q.M.W. Developments Limited	England	Ordinary	100.0%	Property development
Queen Mary Bioenterprises Limited	England	Ordinary	100.0%	Developing Innovation Centre
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	52.0%	Smart antennas for wireless networks

Other Investments

The College holds 348 shares in Actual Experience Limited.
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 2,000 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 0.6% of the share capital.
Queen Mary Innovation Limited holds 77,000 ordinary shares in Retroscreen Virology Limited, representing 2.8% of the share capital.

13. Investment in joint venture

Queen Mary Innovation Limited holds directly the following shares in a joint venture company:

	Country of registration	Equity holding	Proportion held	Principal activity
Apriorie Limited	England	Ordinary	50%	Intelligent Researching

14. Investment in Associates

Queen Mary Innovation Limited holds directly the following shares in a joint venture company:

	Country of registration	Equity holding	Proportion held	Principal activity
Activiomics Limited	England	Ordinary	47.7%	Pharmacological Analysis
Degrasense Limited	England	Ordinary	47.6%	Industrial biosensors
Emdot Limited	England	Ordinary	27.6%	Inkjet printing technology
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:

	Country of registration	Equity holding	Proportion held	Principal activity
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

Notes to the financial statements (cont)

15. Endowment Asset Investments

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Balance at 1 August 2009 (2008)	**28,471**	32,204	**26,624**	30,798
New endowments invested	**0**	1,681	**0**	1,240
Increase/(Decrease) in market value of investments	**2,799**	(5,091)	**2,799**	(5,091)
Capital expenditure	**(59)**	(46)	**(59)**	(46)
Decrease in cash balance held by College for endowment funds	**(1,086)**	(277)	**(1,086)**	(277)
Decrease in cash balance held by subsidiary charities	**(177)**	0	**0**	0
Balance at 31 July 2010 (2009)	**29,948**	28,471	**28,278**	26,624
Represented by:				
Fixed interest stocks	**2,149**	3,665	**2,149**	3,665
Equities	**21,203**	15,509	**21,203**	15,509
Property investment trusts and shares	**2,482**	1,329	**2,482**	1,329
Hedge funds	**1,238**	1,361	**1,238**	1,361
Cash balance with fund manager	**1,040**	3,507	**1,040**	3,507
Cash held by college for endowment funds	**166**	1,253	**166**	1,253
Cash held by subsidiary charities	**1,670**	1,847	**0**	0
	29,948	28,471	**28,278**	26,624

16. College investment funds

	Consolidated and College	
	2010	2009
	£000	£000
Fixed interest stocks	**147**	250
Equities	**1453**	1,059
Property investment trusts and shares	**170**	91
Hedge funds	**85**	93
Bank balances	**70**	266
	1,925	1,759

The College has one portfolio of investments which includes both endowments and College funds. 93.59% (2009 93.61%) of each class of asset under management is held by the endowment funds. The balance of 6.41% (2009 6.39%) represents general College funds.

17. Debtors

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Research grants/contracts	**14,062**	16,086	**13,883**	16,024
Other debtors	**13,348**	8,483	**12,494**	8,141
Amounts owed by subsidiaries	**0**	0	**6,585**	4,077
Prepayments and accrued income	**2,540**	5,535	**12,837**	5,169
	29,950	30,104	**45,799**	33,411

Other debtors includes debtors greater than one year to the value of £791,139. This relates to amounts held in Escrow in relation to the sale of Apatech Limited. (See note 10 for details of the sale of Apatech Ltd).

Notes to the financial statements (cont)

18. Creditors: Amounts falling due within one year

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Bank loans and overdrafts	**39**	274	**39**	274
Social security and other taxation payable	**4,026**	3,819	**4,016**	3,803
Research grants/contracts in advance	**34,764**	32,344	**34,658**	32,343
Other creditors and credit balances	**14,897**	14,706	**13,922**	12,672
Deferred grants	**2,387**	3,991	**2,387**	3,695
Accruals and deferred income	**13,015**	8,291	**12,701**	7,835
Amounts owed to subsidiaries	**0**	0	**3,154**	3,165
	69,128	63,425	**70,877**	63,787

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

Bank loan	**52,090**	52,090	**35,108**	35,109
Finance leases	**26,613**	26,613	**26,613**	26,613
Other creditors	**1,041**	1,338	**1,041**	1,338
	79,744	80,041	**62,762**	63,060

Analysis of bank loans and finance leases

In two years or less	**0**	16,981	**0**	0
Between two and five years	**583**	583	**583**	583
In five years or more	**78,120**	61,139	**61,138**	61,138
Total	**78,703**	78,703	**61,721**	61,721

Included within bank loans are the following:

Lender	**Amount £000**	**Term years**	**Interest rate %**	**Borrower**
Lloyds TSB (unsecured)	35,109	35	0.18 above base or LIBOR	College
Barclays (secured)	16,981	27	5.27	Queen Mary Bioenterprises Limited
	52,090			

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 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

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

Queen Mary Bioenterprises Limited entered into a loan facility for £16.5m with Barclays Bank PLC on 15 February 2007 to fund the building of an innovation centre. The loan facility is for 27 years and £16.981m of the loan facility has been drawn down. Interest is fixed at a rate of 5.27% p.a. Interest was 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.

During the course of the year the College entered into a loan facility agreement with Queen Mary Bioenterprises Limited for £15.5m. This loan facility replaces all existing agreements between the parties. The loan is not secured over any assets and incurs interest at 5.27% p.a. As at the end of the year £5.9m of this facility was drawn down.

20. Deferred capital grants

	Note	**HEFCE** 2010 £000	**Research grants** 2010 £000	**Other gifts** 2010 £000	**Total** 2010 £000	Total 2009 £000
Consolidated						
At 1 August 2009 (2008)						
Buildings		124,955	14,131	728	**139,814**	140,659
Assets in the course of construction		15,826	1,100	7,250	**24,176**	11,093
Plant		6,772	7	572	**7,351**	7,441
Equipment		5,938	2,044	260	**8,242**	11,026
Total		**153,491**	**17,282**	**8,810**	**179,583**	170,219
Cash received/receivable						
Buildings		0	0	0	**0**	0
Assets in the course of construction		11,586	0	1,950	**13,536**	15,121
Plant		0	0	60	**60**	51
Equipment		904	1,573	0	**2,477**	1,677
Total		**12,490**	**1,573**	**2,010**	**16,073**	16,849
Released to Income and Expenditure*						
Buildings	1,3,4	(2,481)	(283)	(911)	**(3,675)**	(2,883)
Assets in the course of construction	4	0	0	(57)	**(57)**	0
Plant	1,3,4	(952)	(1)	(623)	**(1,576)**	(746)
Equipment	1,3,4	(2,117)	(778)	(224)	**(3,119)**	(3,856)
Total		**(5,550)**	**(1,062)**	**(1,815)**	**(8,427)**	(7,485)
Transfers						
Buildings		2,005	1,100	3,125	**6,230**	2,038
Assets in the course of construction		(3,024)	(1,100)	(5,084)	**(9,208)**	(2,038)
Plant		0	0	1,865	**1,865**	605
Equipment		1,019	0	94	**1,113**	(605)
Total		**0**	**0**	**0**	**0**	0
At 31 July 2010 (2009)						
Buildings		**124,479**	**14,948**	**2,942**	**142,369**	139,814
Assets in the course of construction		**24,388**	**0**	**4,059**	**28,447**	24,176
Plant		**5,820**	**6**	**1,874**	**7,700**	7,351
Equipment		**5,744**	**2,839**	**130**	**8,713**	8,242
Total		**160,431**	**17,793**	**9,005**	**187,229**	179,583

* The deferred capital grants released to the income and expenditure account includes £1,226,970 relating to an impairment (see note 11(i))

20. Deferred capital grants (cont)

	Note	HEFCE 2010 £000	Research grants 2010 £000	Other gifts 2010 £000	Total 2010 £000	Total 2009 £000
College						
At 1 August 2009 (2008)						
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
Cash received						
Buildings		0	0	0	**0**	0
Assets in the course of construction		11,586	0	1,949	**13,535**	12,981
Plant		0	0	0	**0**	0
Equipment		904	1,573	0	**2,477**	1,677
Total		**12,490**	**1,573**	**1,949**	**16,012**	14,658
Released to Income and Expenditure						
Buildings	1	(2,481)	(283)	(15)	**(2,779)**	(2,883)
Plant	1	(952)	0	0	**(952)**	(669)
Equipment	1	(2,117)	(778)	(94)	**(2,989)**	(3,919)
Total		**(5,550)**	**(1,061)**	**(109)**	**(6,720)**	(7,471)
Transfers						
Buildings		2,005	1,100	(831)	**2,274**	2,038
Assets in the course of construction		(3,024)	(1,100)	737	**(3,387)**	(2,038)
Plant		0	0	0	**0**	0
Equipment		1,019	0	94	**1,113**	0
Total		**0**	**0**	**0**	**0**	0
At 31 July 2010 (2009)						
Buildings		**124,479**	**14,948**	**(118)**	**139,309**	139,814
Assets in the course of construction		**24,389**	**0**	**2,686**	**27,075**	16,927
Plant		**5,820**	**0**	**0**	**5,820**	6,772
Equipment		**5,743**	**2,839**	**0**	**8,582**	7,981
Total		**160,431**	**17,787**	**2,568**	**180,786**	171,494

Notes to the financial statements (cont)

21. Endowments

	Total restricted permanent 2010	Total restricted expendable 2010	Total endowment 2010	Total endowment restated 2009
Consolidated	**£000**	**£000**	**£000**	£000
Balances at 1 August 2009 (2008)				
Capital	5,823	21,747	**27,570**	31,524
Accumulated income	901	0	**901**	680
	6,724	**21,747**	**28,471**	32,204
New endowments capital	11	452	**463**	1,975
New endowments revenue	0	0	**0**	82
Investment income	197	932	**1,129**	1,031
Expenditure	(61)	(2,503)	**(2,564)**	(1,684)
Transfer	0	(28)	**(28)**	0
(Decrease)/Increase in market value of investments	569	2,230	**2,799**	(5,091)
Capital expenditure	0	(263)	**(263)**	0
Management fee applied to capital	(12)	(47)	**(59)**	(46)
Balances at 31 July 2010 (2009)	**7,428**	**22,520**	**29,948**	28,471
Represented by:				
Capital	6,391	22,520	**28,911**	27,567
Accumulated income	1,037	0	**1,037**	904
	7,428	**22,520**	**29,948**	28,471

The purpose of some funds, originally allocated as restricted expendable, have been identified during the year and been reallocated as restricted permanent funds. The reallocation of £22,000 relating to these funds have been reflected in the opening balances.

Notes to the financial statements (cont)

21. Endowments (cont)

	Total restricted permanent 2010 £000	Total restricted expendable 2010 £000	Total endowment 2010 £000	Total endowment restated 2009 £000
College				
Balances at 1 August 2009 (2008)				
Capital	4,493	21,230	**25,723**	30,118
Accumulated income	901	0	**901**	680
	5,394	**21,230**	**26,624**	30,798
New endowments capital	10	146	**156**	1,445
New endowments revenue	0	0	**0**	82
Investment income	197	929	**1,126**	1,015
Expenditure	(61)	(2,044)	**(2,105)**	(1,579)
Decrease in market value of investments	569	2,230	**2,799**	(5,091)
Capital expenditure	0	(263)	**(263)**	0
Management fee applied to capital	(12)	(47)	**(59)**	(46)
Balances at 31 July 2010 (2009)	**6,097**	**22,181**	**28,278**	26,624
Represented by:				
Capital	5,060	22,181	**27,241**	25,720
Accumulated income	1,037	0	**1,037**	904
	6,097	**22,181**	**28,278**	26,624

The purpose of some funds, originally allocated as restricted expendable, have been identified during the year and been reallocated as restricted permanent funds. The reallocation of £22,000 relating to these funds have been reflected in the opening balances.

22. Revaluation reserve

	Consolidated and College 2010 £000	Consolidated and College 2009 £000
Revaluations		
Balance at 1 August 2009 (2008)	**13,127**	13,304
Released in year	**(174)**	(177)
Balance at 31 July 2010 (2009)	**12,953**	13,127

23. Capital Commitments

	Consolidated 2010 £000	Consolidated 2009 £000	College 2010 £000	College 2009 £000
Capital expenditure contracted but not provided for in financial statements	**20,302**	18,454	**17,337**	18,454

Notes to the financial statements (cont)

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

	Note	Consolidated 2010 £000	2009 £000
(Deficit)/surplus for the year after depreciation of assets at valuation and before tax		**(1,735)**	1,623
Depreciation	11	**13,038**	12,908
Impairment	11	**10,590**	0
Net return on pension asset		**27**	21
Cash payment to reduce pension deficit		**(19)**	0
Deferred capital grants released to income	20	**(8,427)**	(7,485)
Investment income	5	**(1,477)**	(2,262)
Interest payable		**2,230**	2,636
Decrease in stocks		**(142)**	21
Decrease/(increase) in debtors	17	**154**	(1,102)
Increase in creditors	18	**5,695**	4,546
Decrease in creditors due after one year	19	**(297)**	(2,663)
Net cash inflow from operating activities		**19,637**	8,243

25. Returns on investment and servicing of finance

	Note	2010 £000	2009 £000
Income from investments	5	**1,198**	1,103
Interest received	5	**279**	1,159
Interest paid		**(2,230)**	(2,636)
Exchange rate gain on opening net assets of foreign subsidiary		**4**	16
		(749)	(358)

26. Capital expenditure and financial investment

	Note	2010 £000	2009 £000
Purchase of tangible assets	11	**(45,610)**	(37,758)
Purchase of investments		**(9,682)**	(5,007)
Total payments to acquire fixed and endowment asset investments		**(55,292)**	(42,765)
Sale of investments		**6,848**	5,785
Sale of fixed asset investments	10	**10,863**	0
Deferred capital grants received	20	**15,810**	16,849
Endowments received	21	**463**	1,586
		33,984	24,220
Net cash (outflow) from investing activities		**(21,308)**	(18,545)

27. Financing

	Consolidated 2010 £000	2009 £000
New secured loans	**0**	3,730
Repayment of amounts borrowed	**0**	0
Net cash inflow from financing	**0**	3,730

28. Analysis of changes in net debt

	At 1 August 2009	Cash Flows	At 31 July 2010
	£000	£000	£000
Cash at bank and in hand:			
Endowment assets	**6,607**	**(3,731)**	**2,876**
College Investments	**266**	**(196)**	**70**
Others	**5,896**	**6,213**	**12,109**
Total cash at bank and in hand	**12,769**	**2,286**	**15,055**
Short term deposits	**19,167**	**(4,706)**	**14,461**
Debts due after one year	**(78,703)**	**0**	**(78,703)**
Total net debt	**(46,767)**	**(2,420)**	**(49,187)**

29. 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.

On 8 July 2010, the Pensions Minister announced that from April 2011 the statutory minimum increase in pensions and deferred pensions would change from RPI to CPI. This is expected to encompass all occupational pension schemes, including USS, SAUL and NHS. The change from RPI to CPI is likely to have an impact in reducing pension scheme liabilities and the exact accounting treatment is currently under discussion. In line with SORP guidelines, all the above schemes are accounted for as defined contribution schemes and as such the impact on the College accounts will be limited to the disclosures. The trustees of the London Hospital and St Bartholomews Hospital non teaching staff scheme are currently reviewing scheme documentation and the potential impact of the change on the scheme liabilities.

The College's contributions to the schemes, as at 31 July 2010, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions	**6.35**	**6.00**	**6.00**
Employer's contributions	**16.00**	**13.00**	**14.00**

	2010	2009
	£000	£000
Contribution to USS	**12,881**	11,400
Contribution to SAUL	**2,823**	2,105
Public Service scheme	**2,077**	1,965
Contribution paid to other pension schemes (note 29(v))	**18**	23
Net charge to Income and Expenditure Account	**17,799**	15,493

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

Latest Actuarial Valuations	USS 31/03/2008	SAUL 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%**

Notes to the financial statements (cont)

29. Pension costs (cont)

(i) USS
The College participates in USS, a defined benefit scheme which is contracted out of the State Second pension. The assets of the scheme are held in a separate trustee administered by the trustee, Universities Superannuation Scheme Ltd. 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. 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 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.

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.

(i) SAUL
The College participates in SAUL which is a centralised defined benefit scheme for all qualifying employees and is contracted out of the Second State Pension. The assets are 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 member's 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. The last triennial valuation of the scheme was at 31 July 2009. At that date the value of the assets was lower than the actuarial valuation by a £159,000, a funding level of 87%. The college has agreed a plan to reduce the actuarial deficit by annual payments of £19,000 over an eleven year period. The first payment of £19,000 was made to the scheme for the year ending 31 July 2010. The College meets the ongoing running expenses of the scheme together with any PPF levies.

Notes to the financial statements (cont)

29. Pension costs (cont)

At 31 July 2010 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:

		2010	2009	2008
Rate of increase in salaries		**N/A**	N/A	N/A
Discount rate		**5.40%**	6.30%	6.50%
Inflation assumption		**3.40%**	3.70%	3.80%
Rate of increases in pensions in payment:				
RPI up to a maximum of 5% pa (LHMC members)		**3.20%**	3.40%	3.50%
Fixed increases of 3% pa (Barts members)		**3.00%**	3.00%	3.00%
Assumed life expectancies on retirement at age 60 are:				
Retiring today	Males	**25.7**	25.6	25.5
	Females	**28.5**	28.4	28.3
Retiring in 20 years time	Males	**27.9**	27.8	27.7
	Females	**30.6**	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.

The assets in the scheme and the expected rate of return were:	**Long-term rate of return expected at 31.07.2010**	**Value at 31.07.2010**	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	%	£000
Equities	**7.28%**	**277**	7.50%	271	7.60%	277
Bonds	**4.84%**	**810**	5.40%	810	5.60%	822
Cash	**0.50%**	**20**	0.50%	1	5.00%	1
Total market value of assets		**1,107**		1,082		1,100
Present value of scheme liabilities		**(1,596)**		(1,465)		(1,465)
Deficit in scheme		**(489)**		(383)		(365)

The scheme has been closed since 1 August 1996. £19,000 was charged to operating profit in the period (2009 £0).

Analysis of the amount credited to other finance income:

	2010	2009	2008
	£000	£000	£000
Expected return on scheme assets	**61**	67	65
Interest cost	**(88)**	(88)	(80)
Net Return	**(27)**	(21)	(15)

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

Actual return less expected return on pension scheme assets	**75**	(85)	(52)
Experience gains and losses arising on the scheme liabilities	**(173)**	0	8
Changes in assumptions underlying the present value of the scheme liabilities	**0**	(28)	48
Actuarial gain recognised in STRGL	**(98)**	(113)	4

29. Pension costs (cont)

History of scheme assets, obligations and experience adjustments

	2010	2009	2008
	£000	£000	£000
Experience adjustments arising on scheme liabilities	**(173)**	0	8
Experience item as a percentage of scheme liabilities	**(10.8%)**	0.0%	0.6%
Actual return less expected return on pension scheme assets	**75**	(85)	(52)
Percentage of scheme assets	**6.80%**	(7.9%)	(4.7%)

The movement in the deficit in the year was:

	2010	2009	2008
	£000	£000	£000
Deficit in scheme at 1 August	**(383)**	(249)	(238)
Contribution by Employer	**19**	0	0
Current service cost	**0**	0	0
Other finance income	**(27)**	(21)	(15)
Actuarial (loss)/gain	**(98)**	(113)	4
Deficit in scheme at 31 July	**(489)**	(383)	(249)

(v) Defined contribution scheme

One of the College subsidiaries offers a defined contribution pension scheme to its staff. The cost for the period was £18,000 (2009 £23,000). There were no outstanding or prepaid contributions at the balance sheet date.

30. Access funds

	2010	2009
	£000	£000
Balance brought forward	**3**	3
Grant received	**233**	272
Interest	**0**	1
Expenditure	**(218)**	(273)
Balance carried forward	**18**	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.

Notes to the financial statements (cont)

31. 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 £000**	**Expenditure £000**	**Debtor Balance £000**	**Creditor Balance £000**
Ms Mary Elford, Non executive director Professor Sir Nicholas Wright, Non executive director	Barts and the London NHS trust	1,818	3,115	308	29
Professor Sir Nicholas Wright, Director	William Harvey Research Foundation	471	0	37	0
Professor Simon Gaskell	Member, Strategy Advisory Board, BBSRC	1,742	1,846	0	0
Sir Nicholas Montagu	Member, Advisory Board, PWC	0	218	0	4
Professor Phillip Ogden	Trustee, St Barts Hospital Medical College Trust	2,061	46	0	0
Mr Nas Tarmann	Director, QMSU Services Ltd	438	26	169	3

32. Surplus on continuing operations for the period

The surplus on continuing operations for the period is made up as follows:	**2010**	2009
	£000	£000
College's surplus for the period before Gift Aid and gain on sales of fixed assets	**5,971**	3,742
Loss on sale of tangible assets	**0**	0
Gift Aid receivable from subsidiary undertakings	**10,509**	0
	16,480	3,742
Deficit retained by subsidiary undertakings after Gift Aid payments	**(5,948)**	(1,654)
Elimination of gains on intra-group transactions on consolidation	**(1)**	0
Total	**10,531**	2,088

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 2010 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 2010 the value of government grants received stood at £10,126,000. At present it is expected that both companies should be able to meet the requirements of their respective grant agreements.

Council Membership 2009–2010

Chairman	Sir Nicholas Montagu, KCB, MA(Oxon), DUniv(Middlx), DUniv(Brad)
Treasurer	Mr Simon Linnett, MA(Oxon)
Vice-Chairman	Mr J M St J Harris, MA(Oxon)
Ex officio members	
The Principal (appointed 1/10/2009)	Professor S Gaskell, BSc, PhD(Bris), FRSC
Acting Principal (to 30/09/2009)	Professor P E Ogden, BA (Dunelm), D Phil (Oxon), AcSS
Senior Vice-Principal	Professor P E Ogden, BA (Dunelm), D Phil (Oxon), AcSS
The Warden of St Bartholomew's and The Royal London School of Medicine and Dentistry	Professor Sir Nicholas Wright,MA, MD, PhD, DSc, FRCS, FRCPath, FMedSci
The President of the Students' Union	Mr N Tarmann, BSc(Lon)
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, MCMI	31/08/2014
Dr A M Jolles, BA, PhD, LLM	31/08/2012
Elected members [staff]	
Dr P Anderson, BSc(Leeds), PhD, CPhys, MInstP	31/08/2012
Ms B Ashcroft	31/08/2010
Professor B Kidd, BSc, MB, ChB(Auckland), MD(Soton), FRCP	31/08/2011
Professor N Lemoine MD PhD FRCPath FMedSci	31/08/2010
Professor C Oswick, MSc, PhD(Lon)	31/08/2012
Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys	31/08/2010
Professor W Wang, BSc(Hefei), PhD(Lon)	31/08/2011
Professor E Welch, BA(Harvard), PhD	31/08/2012
Elected members [student]	
Ms A Hiscocks, BA(Lon)	31/08/2010
Co-opted members	
Ms M Elford, BA(Oxon)	12/12/2011
Ms E Hall, BA	12/12/2011
Sir David Kitchin, MA(Cantab)	12/12/2011
Mr S Linnett, MA(Oxon)	31/01/2014
Mr F V McClure, BA	31/08/2013
Sir Nicholas Montagu, KCB, MA(Oxon), DUniv(Middlx), DUniv(Brad)	31/08/2014
Mr D Thomas, LLB	12/12/2011
Mr A Ullah, BA	31/08/2013
Mr J Yard, CBE	31/08/2014

Audit and compliance committee membership 2009-10

Chairman [an external member of council]	Mr A Gibbins, MA(Oxon), FCA (to 31/12/2009) Mr D Thomas, LLB (from 01/01/2010)

Two other external members of council

Ms E Hall, BA

Vacancy


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