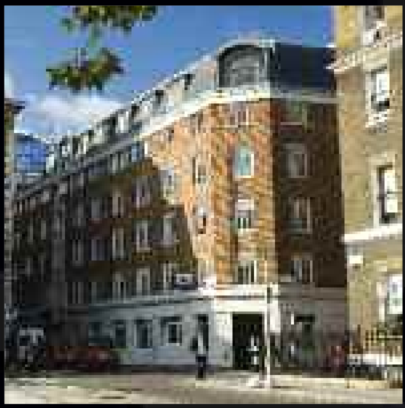
Financial Statements

For the year ended 31 July 2011



Queen Mary
University of London

Contents

Principal's Report

During the year, substantial progress was made with regard to the ambitions set out in the Queen Mary Strategic Plan 2010-2015. The target of placement within the 100-150 group of the Times Higher Education ranking of world universities by 2015 was achieved in 2011 with QM being ranked as 127th position globally, and equal 17th in the UK. QM's ranking has risen by 37 places over the past two years.

With regard to knowledge creation, it is pleasing to read in these financial statements that income from research grants and contracts increased by increased by 8% to £73.7m. The elevation of QM to the Engineering and Physical Sciences Research Council group of strategic university partners is an encouraging indication of our standing in an area in which we have previously recognised the need for substantial progress. While there was 15% increase in the number of students registered for the PhD degree, additional initiatives are likely to be required to meet the target of doubling the number of postgraduate research students by 2015.

Performance against targets set for knowledge dissemination was generally encouraging. With respect to entry qualifications of admitted students, QM's indicative median tariff for 2010-11 was 380 points, an increase of 20 points over 2008-09. Overall satisfaction in the National Student Survey increased by 2% to 88% from 2010 but such measures show a mixed picture and continuing focus on this area is essential, particularly in the context of the new fees regime. There were 2,149 full-time equivalent registered taught postgraduate students in 2010-11, an increase of 37% on the FTE baseline of 1,564 for 2008-09. This expansion is ahead of target. Our effectiveness in knowledge dissemination via commercialisation should benefit from a new focus on technology transfer within Queen Mary Innovation Ltd. Good progress was made against our enabling aims that focus on professional services, infrastructure and the estate.

This performance places QM in a relatively strong position with regard to challenges ahead. The distinctive – possibly unprecedented – feature of the new environment for higher education in England is not the reduction in funding but the level of uncertainty. This uncertainty comes in a number of forms.

a) Reduced predictability of income streams for the support of teaching. The substitution of HEFCE teaching grant by student fees may cause substantial destabilisation. While the new situation is a long way from an open market in fees (either one mediated by price or quality), some new competitive features have been introduced. The attitudes that will be taken by prospective students and their schools, towards university education in general or individual universities in particular, are largely unknown. The effect of the "contestability" of AAB+ student numbers is similarly hard to predict at the individual institution level. Most commentators agree that there will be a "squeezed middle" of universities; there is no consensus over the population of that middle but a Higher Education Policy Institute briefing paper argues that it will consist of lower Russell Group and 1994 Group members.

b) Uncertainty over the approaches to be taken by research funding agencies (public and private) in response to limited availability of funds. Greater selectivity of funding can be confidently predicted. Less predictable is the extent to which this will be achieved according to institution or research area (likely both to some extent).

c) Uncertainty over the education of international students. This uncertainty is based both on economic factors (e.g. exchange rates; stabilities of national economies) and UKBA policies.

d) Unknown future demand for postgraduate education from UK students. The much higher levels of graduate debt from 2015 onwards may reduce the appetite of UK graduates for postgraduate study, and/or may introduce new funding models for postgraduate education.

e) Undefined future regulatory environment. The proposed role of HEFCE as primary regulator and as "student champion" is not yet adequately defined, nor its relation to other bodies such as OFFA.

Given these sources of uncertainty – and the fact that government policies are currently developed and announced on very short timescales, QM is focussing on having the right mechanisms in place, not only to thrive in the new environment but to exploit fully the opportunities that will arise. Given that decisions will need to be made rapidly, we need to be clear about the ground rules to decision making that has the potential to effect significant changes to the institution and the way it operates.

- Maintenance of our status and attitude as an ambitious institution, with an appetite for carefully evaluated risk.
- Adherence to the objectives of the Strategic Plan, whilst continuing to recognise that the ease of their achievement will be influenced by external circumstances as well as internal effort.
- Recognition that we should be business-like in our approaches to all our activities, but that we are not – and do not aspire to be – a commercial business (in the sense that our raison d'etre is the public good, not profitability; financial health is a means to these ends, not an end in itself).
- Continued commitment to organisational approaches that combine collegiality with clear definitions of responsibility and accountability.
- Maintenance of the academic breadth of QM, whilst recognising that the enhancement of academic strength will require difficult decisions about strategic investment in, or discontinuation of, specific activities.
- Continuing commitment to merit-based student admissions with active encouragement and facilitation of applications from under-represented groups.
- Promotion of the fundamental attributes of a university education, beyond the aspirations of increased earning power and employability.
- No compromise in our expectations of high-quality research, as judged by international standards.
- Continued aspiration to serve our local communities.

A "business-like" approach will have the following characteristics:

- attention to the development and maintenance of a strong and distinctive reputation (brand).
- clear understanding of, and consistent professional approach to, the needs of the beneficiaries (customer-equivalents) of our activities – students, employers, government, commerce, third sector, etc.
- careful delineation of the costs of our activities, our pricing structures, and the connections between the two.
- rigorous appraisal of our offerings (research, education, other forms of dissemination), with clear criteria for investment or for discontinuation.
- well-researched understanding of our competitors' positions.

The new external environment mandates the following components to our response to current external pressures, complementing the "business-like" approach outlined above.

- Emphasis on agility of operation.
- Consistent adherence to the policy of "no surprises", with increased frequency of monitoring of key statistics (e.g. financial metrics, student applications) to ensure that we are alerted to both threats and opportunities at the earliest possible time.
- More systematic scenario-building (including financial modelling with carefully researched uncertainties) to allow the identification of appropriate responses (e.g. to changed UK student numbers) well ahead of time.
- Embracing where appropriate of fundamentally new ways of working (including the development of strategic partnerships with other institutions), recognising that such an approach is likely to become the hallmark of the successful university.
- Diversification of incomes sources, including the identification of those of lower volatility (e.g. fee income through joint programmes) – or combinations of income sources that are differently phased. This is likely to imply a greater emphasis on non-public and non-UK sources of income other than the UK public purse (e.g. EU funding of research).
- Greater attention to issues influencing reputation (e.g. national and international alliances); improved understanding of the factors that influence reputation amongst key constituencies (e.g. prospective students).
- Increased attention to influencing national policy, both to effect change and to enhance QM's profile.
- Improved internal communication with academics and non-academics alike, including clear articulation of accountabilities.
- Effective communication to QM Council of opportunities and threats, recognising that these may arise on a timescale not immediately compatible with the timetable of Council meetings.

Accepting that the current external environment is volatile, and that the most successful universities in the coming years will be those that embrace distinctively new ways of working, then we must be clear both on the mechanisms to be used for rapid decision making, and the core features of QM that should not be abrogated in any adaptation process. QM remains – with good reason – a highly ambitious institution.

Professor Simon Gaskell
22 November 2011

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 which led to the deletion of the Statutes in their entirety. 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 Queen Mary is not required to register directly with the Charity Commission, and in turn is not subject to its direct supervision. However, following the Charities Act 2006, from 01 June 2010 HEFCE became 'principal regulator' of the vast majority of higher education institutions in England, including Queen Mary.

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

The public interest underpins all aspects of 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:

• its housing and continuing support for the Centre of the Cell in Whitechapel, an educational charity dedicated to inspiring curiosity and learning by connecting science to everyday life. Centre of the Cell is an online resource, a science education centre and outreach project aimed at young people, teachers, families and community groups;

• its co-sponsorship of the Drapers' Academy with the Drapers' Company, a leading City Livery Company with which 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;

• its involvement as lead partner in a National Challenge Trust School in Tower Hamlets; St Paul's Way Trust School.

• the Queen Mary Legal Advice Centre provides free legal advice to members of the public, students and College staff. The Centre operates for the mutual benefit of clients and students and is committed to enabling students to learn from practical experience.

Ground breaking research at 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 is aimed at understanding and improving children's respiratory health through assessment of 8 year old children in Tower Hamlets and Hackney Schools.

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

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

Advancement of equality and diversity

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

Advancement of environmental protection or improvement

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 contributor to our understanding of modern eco-systems and animal and insect conservation.

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 2011. Details of the group are listed within notes 12 to 14.

Highlights

2010/11 was a year in which QM built on its strengths. Income from research grants and contracts and masters programmes grew strongly and there was significant investment in the estate. Total income was close to £300m, doubling in less than 10 years. The new Heart Centre at Charterhouse Square opened and the Arts2 building in Mile End was completed.

	Year to 31 July 2011	Year to 31 July 2010
	£000	£000
Income from recurrent activities	**297,098**	289,824
Surplus	**2,307**	10,531
Capital expenditure	**42,525**	45,610
Net cash inflow from operating activities	**5,854**	19,637
Net assets	**300,791**	291,380

Consolidated Income & Expenditure

Income received in the form of tuition fees increased by 9%. Recruitment to masters programmes such as the MSc in Finance and Economics, in particular, grew significantly.

Following cuts in HEFCE funding for all universities during the year, grant income for Queen Mary reduced by 4%.

In accordance with the ambitions stated in the College's strategic plan, income from research grants and contracts increased by 8% to £73.7m.

While total income on recurrent activities grew by 3%, expenditure on those activities increased by 1%. Staff costs increased by 5% but staff numbers increased by 7% with 36 more academic staff. There was a significant increase in the number of staff in the professional services category as a result of centralising contracts of employment for student helpers and other temporary staff.

Other operational expenditure increased by 4% as a consequence of greater research and teaching activity. For example, consultancy within research contracts and agents fees in respect overseas student recruitment rose significantly.

Capital Investment

Total capital expenditure of £42.5m (£45.6m in 09/10) was funded by £10.6m 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 that concluded in March.

Cash and Debt

Cash inflow from operating activities was £5.9m (£19.6m in 09/10). Cash balances and short-term deposits ended the year at £25.4m (£26.6m for 09/10). Total long term borrowing for the College and its subsidiaries stood at £103.7m at 31 July 2011 (£78.7m for 09/10). The remaining £25m was drawn from the College's £60m long term loan facility with Lloyds TSB. This funded expenditure incurred on the Arts 2 building and new student information system. £48m of this borrowing is hedged by interest rate swaps, providing protection against any adverse movements on interest rates. 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.

Current Liabilities

Current liabilities include a number of large grants that were received in advance of expenditure to be incurred in 2011/12.

Investments and Treasury Management

Endowment investments stood at £33.6m in comparison with £29.9m as at the previous year end. Endowment assets were managed by Newton Investment Management Limited who were appointed in December 2001. In July 2010, Finance and Investment Committee revised its investment strategy in order 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 was conducted during the spring and summer and Ruffer LLP have been appointed with effect from 14 October 2011 with the same performance objective.

The College no longer holds investment funds similarly managed by Newton. This investment stood at £1.9m 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 implemented by USS and developed by 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.

Innovation Centre

Given the continuing shortage of venture capital for bio-technology companies, take up of space in the Innovation Centre at Whitechapel was slower than anticipated. This resulted in a further impairment adjustment within the books of QM Bioenterprises Limited. This adjustment does not appear in the consolidated financial statements due to a different accounting treatment being applied under the SORP. This reflects the College's current intention, based on current performance, to acquire the commercial space for its own purposes by 2019/20.

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.

Student Numbers

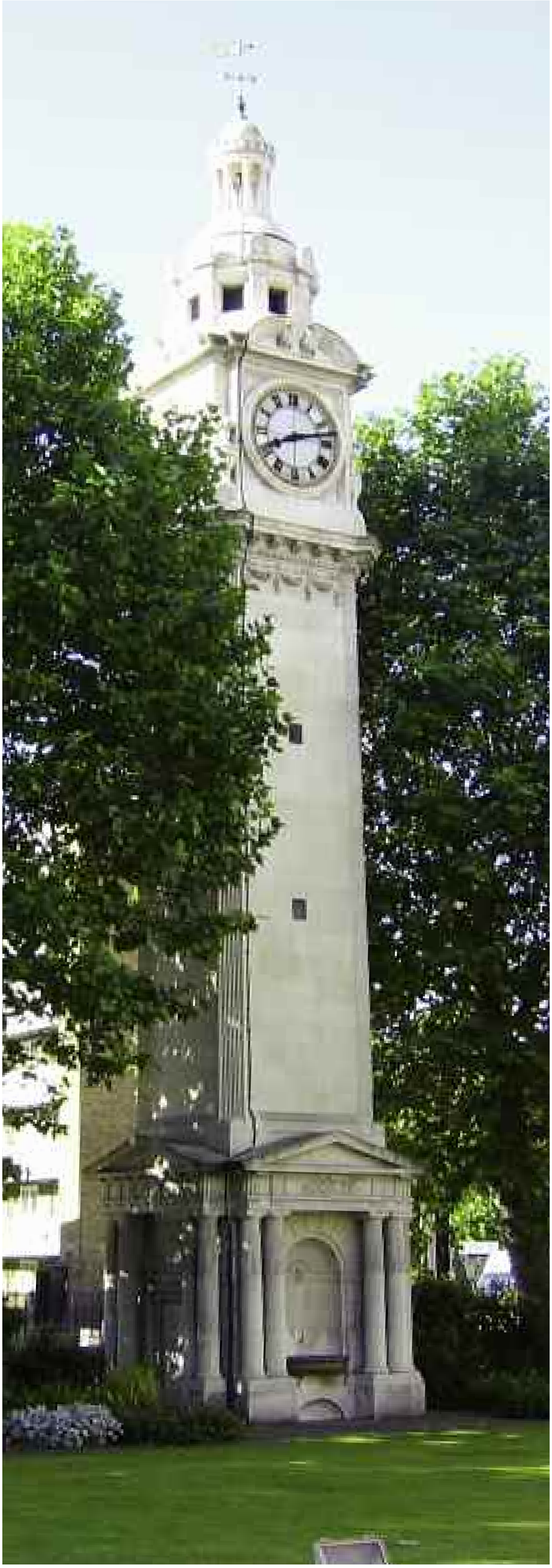
The number of full time equivalent students enrolled during the year increased from 16,190 in 2009/10 to 16,529 in 2010/11. Of these, 1918 were based in China studying joint degree programmes in collaboration with the Beijing University of Post and Telecommunications.

Outlook

The uncertainties with regard to income streams for higher education in the next few years are clearly stated in the Principal's Report. Queen Mary is managing risks and evaluating options for further development against a rigorous financial framework in order to ensure that it strikes the right balance between caution and confidence and continues to build upon its strengths.

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 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 following 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 Ordinances 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 Ordinances.

The Charter and Ordinances establish the College's Council and Senate, 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. Its 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 Governance 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 Senate 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 (from 01.09.11, Vice Principal & Executive Dean (Health)), Vice Principal & Executive Dean (Humanities and Social Sciences), Vice Principal & Executive Dean (Science and Engineering), Vice Principal (Teaching and Learning) and Vice Principal (Research & International Affairs).

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 Risk Committee. The categories of membership of the Finance and Investment Committee are laid down by Ordinance, and the Governance Committee is responsible for recommending appointments to the Council.

The Audit and Risk 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 Risk 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 Charter and Ordinances 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.

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 Risk 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 Risk 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.

- Following a tendering exercise in 2009/10, the College procured its internal audit service from KPMG, which operates to standards defined in the revised HEFCE Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which 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 Risk Committee. At least annually the head of internal audit provides the Audit and Risk 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 Risk Committee followed a programme reviewing compliance risks by way of receiving reports from those 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 and college financial statements (the "financial statements") of Queen Mary and Westfield College for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, the Statement of Group Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Council and auditors

As explained more fully in the Responsibilities of Council Statement set out on page 9 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial and Operating Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and college's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and

- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Statement of Corporate Governance Statement and Internal Control is inconsistent with our knowledge of the college and group.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
7 More London Riverside
London SE1 2RT

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.

Consolidated Income and Expenditure Account
for the year ended 31 July 2011

	Note	2011	2010
		£000	£000
Income			
Funding body grants	**2**	**100,020**	103,971
Tuition fees and education contracts	**3**	**82,798**	76,218
Research grants and contracts	**4**	**73,657**	68,472
Other operating income	**5**	**39,457**	39,689
Endowment and investment income	**6**	**1,166**	1,477
Total income		**297,098**	289,827
Less: Share of income from a joint venture	**13**	**0**	(3)
Net Income		**297,098**	289,824
Expenditure			
Staff costs	**7**	**179,972**	170,993
Other operating expenses	**8**	**98,210**	94,708
Other operating expenses: impairment of fixed assets	**11**	**0**	10,590
Depreciation	**11**	**14,166**	13,038
Interest and other finance cost		**3,003**	2,230
Total expenditure	**9**	**295,351**	291,559
Surplus/(deficit) for the year after depreciation of assets at valuation and before tax		**1,747**	(1,735)
Share of operating loss in a joint venture	**13**	**(1)**	(10)
Share of operating loss in associates	**14**	**(154)**	(16)
Taxation	**10**	**29**	(6)
Surplus/(Deficit) for the year after depreciation of assets at valuation and taxation and before exceptional items		**1,621**	(1,767)
Sale of fixed asset investment		**0**	10,863
Surplus for the year after depreciation of assets at valuation, disposal of assets and taxation		**1,621**	9,096
Surplus for the year transferred to accumulated income in endowment funds	**21**	**686**	1,435
Surplus for the year retained within general reserves	**32**	**2,307**	10,531

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 2011

	Note	2011	2010
		£000	£000
Surplus on continuing operations before taxation		**1,592**	9,102
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	**22**	**170**	174
Historical cost deficit for the year before taxation		**1,762**	9,276
Retained historical cost surplus after taxation		**1,791**	9,270

The notes on pages 17 to 38 form part of these financial statements.

Balance Sheets
at 31 July 2011

	Note	Consolidated 2011 £000	Consolidated 2010 £000	College 2011 £000	College 2010 £000
Fixed assets					
Tangible assets	**11**	**379,764**	351,405	**370,261**	343,498
Investments	**12**	**1,823**	913	**5,339**	4,429
Investments in joint venture	**13**	**0**	0	**0**	0
Investments in associates	**14**	**127**	46	**1**	1
		381,714	352,364	**375,601**	347,928
Endowment asset investments					
Endowment asset investments	**15**	**33,585**	29,948	**33,355**	28,278
College investment funds	**16**	**0**	1,925	**0**	1,925
Total investment funds		**33,585**	31,873	**33,355**	30,203
Current assets					
Stocks		**414**	318	**414**	318
Debtors	**17**	**32,444**	29,950	**43,389**	45,799
Investments (short term deposits)		**18,701**	14,461	**18,701**	14,461
Cash at bank and in hand		**6,740**	12,109	**5,824**	925
		58,299	56,838	**68,328**	61,503
Creditors: amounts falling due within one year	**18**	**(68,264)**	(69,128)	**(77,654)**	(70,877)
Share of net liabilities in joint ventures	**13**	**(6)**	(5)	**0**	0
Share of net liabilities in associates	**14**	**(435)**	(329)	**0**	0
Net current liabilities		**(10,406)**	(12,624)	**(9,326)**	(9,374)
Total assets less current liabilities		**404,893**	371,613	**399,630**	368,757
Creditors: amounts falling due after more than one year	**19**	**(103,679)**	(79,744)	**(86,698)**	(62,762)
Net assets excluding pension liability		**301,214**	291,869	**312,932**	305,995
Pension liability	**29**	**(423)**	(489)	**(423)**	(489)
Net assets including pension liability		**300,791**	291,380	**312,509**	305,506
Deferred capital grants	**20**	**190,424**	187,229	**184,199**	180,786
Endowment funds					
Expendable	**21**	**11,113**	22,520	**10,883**	22,181
Permanent	**21**	**22,472**	7,428	**22,472**	6,097
		33,585	29,948	**33,355**	28,278
Reserves					
Income and expenditure reserve excluding pension liability		**64,345**	61,755	**82,595**	83,978
Pension reserve		**(423)**	(489)	**(423)**	(489)
Income and expenditure reserve including pension liability		**63,922**	61,266	**82,172**	83,489
Revaluation reserve	**22**	**12,783**	12,953	**12,783**	12,953
Other reserves		**77**	(16)	**0**	0
Total Reserves		**76,782**	74,203	**94,955**	96,442
Total		**300,791**	291,380	**312,509**	305,506

The notes on pages 17 to 38 form part of these financial statements.

Approved by Council on 22 November 2011 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 2011

	Note	2011	2010
		£000	£000
Surplus on continuing operations after depreciation of fixed assets at valuation and tax		**1,621**	9,096
Add			
Currency translation on net foreign investment		**(5)**	4
Revaluation of investments		**204**	(443)
New endowments	**21**	**2,662**	463
Revaluation of endowment investments	**21**	**2,146**	2,799
Capital spend from endowment funds	**21**	**(300)**	(263)
Management fee charged to endowment funds	**21**	**(185)**	(59)
Actuarial adjustment on defined benefit pension scheme	**29**	**73**	(98)
Total recognised gains relating to the year		**6,216**	11,499
Reconciliation			
Opening reserves and endowments		**104,151**	92,652
Total recognised gains and losses relating to the year		**6,216**	11,499
Closing reserves and endowments		**110,367**	104,151

The notes on pages 17 to 38 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2011

	Note	2011	2010
		£000	£000
Net cash inflow from operating activities	**24**	**5,854**	19,637
Returns on investments and servicing of finance	**25**	**(1,842)**	(749)
Capital expenditure and financial investment	**26**	**(29,166)**	(21,308)
Management of liquid resources	**28**	**(4,240)**	4,706
Financing	**27**	**25,000**	0
(Decrease)/increase in cash	**28**	**(4,394)**	2,286

Reconciliation of net cash flow to movement in net debt

	Note	2011	2010
(Decrease)/increase in cash for the year		**(4,394)**	2,286
Change in short term deposits		**4,240**	(4,706)
Change in debt		**(25,000)**	0
Change in net debt		**(25,154)**	(2,420)
Net debt at 1 August		**(49,187)**	(46,767)
Net Debt at 31 July	**28**	**(74,341)**	(49,187)

The notes on pages 17 to 38 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

Basis of preparation

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

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 2011.
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. Intragroup transactions are eliminated on consolidation.
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 8.

Recognition of income

i. Funding body block grants are accounted for in the year 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 when there is sufficient evidence to provide the necessary certainty that the donation will be received and the amount can be measured with sufficient reliability. Donations which are to be retained for the benefit of 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.

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

Tangible fixed assets

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

i. Freehold land and buildings and long leasehold buildings are stated at cost or valuation. 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 at 2% per annum or over the life of the lease if the lease is less than 50 years. No provision for depreciation is made against the value of land.
iii. Assets in the course of construction are stated at cost and are not depreciated until they are transferred to the completed asset class when ready for use.
iv. Plant and Machinery is depreciated over 10 to 15 years.

Notes to the Financial Statements (cont.)

1. Accounting Policies (cont.)

Tangible fixed assets (cont.)

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 3 to 8 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 year it is incurred. The College has a planned maintenance programme which is reviewed annually.

Investments

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

Stocks

Stock is valued on a first in first out basis and stated at the lower of cost and net realisable value. Included in the valuation are stocks in the refectories and central and departmental stores.

Liabilities

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.
Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the College's treasury management activities, but exclude any such assets held as fixed asset investments.

Leases

Finance leases which transfer substantially all the benefits and risks of ownership of an asset to 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 year.
Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Exchange differences arising have been included in the Income and Expenditure Account for the year.

Financial Instruments

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.

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

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.

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.

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 (VAT) but is unable to recover input tax incurred on the majority of its expenditure, most education and research being exempt activities under VAT legislation. Irrecoverable VAT is included in the cost of the goods or service.

Notes to the Financial Statements (cont.)

1. Accounting Policies (cont.)

Taxation status (cont.)

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 FRS 19.

2. Funding body grants

	Note	2011	2010
		£000	£000
Recurrent grant		**89,399**	92,363
Specific grants			
Higher education innovation fund		**2,517**	1,617
Teacher quality enhancement fund		**392**	444
Other		**1,862**	3,997
		4,771	6,058
Deferred capital grants released in year			
Buildings	**20**	**2,603**	2,481
Plant	**20**	**982**	952
Equipment	**20**	**2,265**	2,117
		5,850	5,550
Total		**100,020**	103,971

3. Tuition fees and education contracts

Full-time students charged home/EU fees	**37,414**	34,346
Full-time students charged overseas fees	**39,946**	35,349
Part-time students	**1,760**	1,844
Research training support grants	**582**	400
Short course fees	**1,161**	884
Other fees and support grants	**1,615**	2,644
Education Contracts	**320**	751
	82,798	76,218

The prior year has been reclassified so that £751,000 Health Service contract is shown as an education contract not in other operating income.

4. Research grants and contracts

Research councils		**24,323**	23,525
UK central government bodies		**11,110**	7,263
UK industry and commerce		**4,908**	3,555
UK-based charitable and health bodies		**21,286**	21,925
European Community		**6,439**	6,321
Other overseas countries		**2,399**	2,772
Other		**1,949**	2,049
Deferred capital grants released in year	**20**	**1,243**	1,062
		73,657	68,472

5. Other operating income

	Note	2011	2010
		£000	£000
Residences, catering and conferences		**12,966**	12,202
Other services rendered		**6,892**	7,848
Health authorities		**15,639**	13,621
Other income		**3,669**	4,200
Income from joint venture		**0**	3
Deferred capital grants released in year: impairment		**0**	1,227
Deferred capital grants released in year: depreciation	**20**	**291**	588
		39,457	39,689

The prior year has been reclassified so that £751,000 Health Service contract is shown as an education contract not as income from Health Authorities.

6. Endowment and investment income

Income from expendable endowments	**21**	**773**	932
Income from permanent endowments	**21**	**198**	197
Income from college investments		**38**	69
Income from investments and cash		**157**	279
		1,166	1,477

7. Staff

(i) Staff costs:		
Wages and salaries	**145,900**	140,407
Social security costs	**12,596**	12,075
Pension costs	**18,797**	17,799
Compensation for loss of office	**2,679**	712
	179,972	170,993

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

The prior year has been reclassified so that £712,000 compensation for loss of office is included in staff costs not other operating expenses.

(ii) Emoluments of the Principal		
Basic salary	**202**	168
Benefits in kind	**45**	39

The emoluments of the Principal are shown on the same basis as for higher paid staff. The College's pension contributions to USS for the principal are paid at the same rate as for other academic staff and amounted to £32,289 (2010 £26,800).

Professor Simon Gaskell took up the position of Principal on 1 October 2009. The prior year comparative figure relates to the ten month period ending 31 July 2010.

Emoluments of the Acting Principal		
Basic salary	**0**	27
Special allowance	**0**	7

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.

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

7. Staff (cont.)

(iii) Remuneration of other higher–paid staff

Excluding employer's pension contributions, but including payments made on behalf of the NHS in respect of its contractual obligations to College Staff, in bands of £10,000 from a starting point of £100,001.

	2011	2010
	Number of staff	Number of staff
£100,001 — £110,000	**25**	23
£110,001 — £120,000	**18**	25
£120,001 — £130,000	**15**	8
£130,001 — £140,000	**13**	12
£140,001 — £150,000	**8**	3
£150,001 — £160,000	**4**	5
£160,001 — £170,000	**2**	7
£170,001 — £180,000	**5**	1
£180,001 — £190,000	**3**	4
£190,001 — £200,000	**2**	1
£200,001 — £210,000	**4**	2
£210,001 — £220,000	**2**	1
£220,001 — £230,000	**1**	3
	102	**95**

£187,056 in redundancy payments were made to one higher-paid member of staff in the year to 31 July 2011 (2010 £Nil).

(iv) Average number of employees by category

	2011	2010
Academic and education	**1,600**	1,564
Professional services	**1,443**	1,263
Technical services	**214**	203
Operational services	**251**	261
	3,508	3,291

(v) Trustees (members of Council)

The Trustees neither received nor waived any emoluments during the year (2010 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2011, 6 Trustees (2010 5) were reimbursed a total of £839 (2010 £1,634).

8. Other operating expenses

	2011	2010
	£000	£000
Other operating expenses include:		
Residences, catering and conferences	**3,609**	4,279
Consumables and laboratory expenditure	**21,180**	23,012
Funds payable to other colleges	**940**	985
Equipment	**6,205**	6,919
Books and periodicals	**2,362**	2,212
Fellowships, scholarships, prizes and studentships	**20,918**	19,216
Heat, light, water and power	**3,491**	3,559
Repairs and general maintenance	**2,699**	3,223
Rent, rates and insurance	**3,233**	3,243
Other premises costs	**1,234**	1,244
Provision for doubtful debts	**(181)**	(831)
Grant to Students Union	**861**	872
Auditors' remuneration	**147**	133
Auditors' remuneration in respect of non-audit services	**110**	97
Unfunded pension costs	**52**	49
University of London central charges	**1,168**	1,125
Professional and other fees	**7,668**	5,630
Conferences, travel and training	**7,622**	6,993
Contract and Agency Staff	**9,330**	7,561
Miscellaneous expenditure*	**5,562**	5,187
	98,210	94,708
Impairment of fixed assets	**0**	10,590
	98,210	105,298

* Includes £74,029 in respect of Internal Audit fees (2010 £128,104).
The prior year has been reclassified so that £712,000 compensation for loss of office is included in staff costs not other operating expenses.

9. Analysis of Expenditure by Activity

	Staff Costs	Depreciation	Other costs	Interest Payable	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000
Academic departments	104,110	2,093	33,863	0	**140,066**	129,617
Academic services	7,681	981	6,595	0	**15,257**	16,055
Research grants and contracts	36,660	937	29,382	0	**66,979**	61,106
Residences, catering and conferences	3,021	1,187	3,609	0	**7,817**	8,009
Premises	7,299	8,620	8,559	3,003	**27,481**	32,038
Administration	18,973	105	14,051	0	**33,129**	33,029
Other	2,228	243	2,151	0	**4,622**	11,705
Total per income and expenditure account	**179,972**	**14,166**	**98,210**	**3,003**	**295,351**	291,559
Total for year ended 31 July 2010	170,993	13,038	105,298	2,230		291,559
The depreciation charge has been funded by:						
Deferred capital grants released	**20**	**7,384**				7,200
Revaluation reserve released	**22**	**170**				174
General income		**6,612**				5,664
		14,166				13,038
Other operating expenses include:						
External auditors remuneration in respect of audit services			**147**			133
External auditors remuneration in respect of non-audit services			**110**			97

Notes to the Financial Statements (cont.)

10. Taxation

	2011	2010
	£000	£000
Macau complementary (corporation) tax at 12% on the profits of Queen Mary Research Laboratories (Macau) Limited	**0**	7
Corporation tax reclaimed by Apriorie Limited	**0**	(1)
Research and development tax credits for Associate Companies	**29**	0
	29	6

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

11. Tangible Assets

	Freehold land and buildings	Long leasehold	Assets in course of construction	Plant & machinery	Equipment	Total
	£000	£000	£000	£000	£000	£000
Consolidated						
Cost						
At 1 August 2010	303,383	26,516	36,741	35,047	59,060	**460,747**
Transfers	53,978	0	(65,110)	2,405	8,727	**0**
Additions at cost	0	0	37,809	52	4,664	**42,525**
At 31 July 2011	**357,361**	**26,516**	**9,440**	**37,504**	**72,451**	**503,272**
Depreciation						
At 1 August 2010	(45,321)	(7,703)	(241)	(10,664)	(45,413)	**(109,342)**
Transfers	0	0	241	0	(241)	**0**
Charge for the year	(5,289)	(374)	0	(3,021)	(5,482)	**(14,166)**
Impairment	0	0	0	0	0	**0**
At 31 July 2011	**(50,610)**	**(8,077)**	**0**	**(13,685)**	**(51,136)**	**(123,508)**
Net book value						
At 31 July 2011	**306,751**	**18,439**	**9,440**	**23,819**	**21,315**	**379,764**
Net book value						
At 1 August 2010	258,062	18,813	36,500	24,383	13,647	351,405
College						
Cost						
At 1 August 2010	298,909	26,516	35,596	26,225	58,411	**445,657**
Transfers	53,982	0	(63,965)	2,403	7,580	**0**
Additions at cost	0	0	37,809	52	1,687	**39,548**
At 31 July 2011	**352,891**	**26,516**	**9,440**	**28,680**	**67,678**	**485,205**
Depreciation						
At 1 August 2010	(41,489)	(7,701)	0	(8,069)	(44,900)	**(102,159)**
Transfers	0	0	0	0	0	**0**
Charge for the year	(5,027)	(376)	0	(2,307)	(5,075)	**(12,785)**
At 31 July 2011	**(46,516)**	**(8,077)**	**0**	**(10,376)**	**(49,975)**	**(114,944)**
Net book value						
At 31 July 2011	**306,375**	**18,439**	**9,440**	**18,304**	**17,703**	**370,261**
Net book value						
At 1 August 2010	257,420	18,815	35,596	18,156	13,511	343,498

12. Investments

Subsidiary companies and other investments	Consolidated 2011	2010	College 2011	2010
	£000	£000	**£000**	£000
Investment in subsidiary companies at cost	**0**	0	**3,516**	3,516
Other Investments	**1,823**	913	**1,823**	913
	1,823	913	**5,339**	4,429

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
Varydose Limited	England	Ordinary	100.0%	Pharmaceutical dispensing technology
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.

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 holds 92,024 ordinary shares in Retroscreen Virology 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 11,175 ordinary shares in Retroscreen Virology Limited.

Notes to the Financial Statements (cont.)

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	50.0%	Intelligent Researching

14. Investment in Associates

The College holds directly the following shares in associate companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Activiomics Limited	England	Ordinary	28.8%	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:

Abonetics 2000 Limited	England	Ordinary	50.0%	Intellectual property
Abonetics 2000 Limited	England	Preference	100.0%	Intellectual property
Vaxome Limited	England	Ordinary	33.4%	Vaccine technology

15. Endowment Asset Investments

	Consolidated		College	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Balance at 1 August 2011 (2010)	**29,948**	28,471	**28,278**	26,624
New endowments invested	**1,763**	0	**1,763**	0
Increase in market value of investments	**2,146**	2,799	**2,146**	2,799
Capital expenditure	**(185)**	(59)	**(185)**	(59)
Increase/(decrease) in cash balance held by College for endowment funds	**1,353**	(1,086)	**1,353**	(1,086)
Decrease in cash balance held by subsidiary charities	**(1,440)**	(177)	**0**	0
Balance at 31 July 2011 (2010)	**33,585**	29,948	**33,355**	28,278
Represented by:				
Fixed interest stocks	**2,765**	2,149	**2,765**	2,149
Equities	**26,468**	21,203	**26,468**	21,203
Property investment trusts and shares	**0**	2,482	**0**	2,482
Hedge funds	**431**	1,238	**431**	1,238
Cash balance with fund manager	**2,153**	1,040	**2,153**	1,040
Cash held by college for endowment funds	**1,538**	166	**1,538**	166
Cash held by subsidiary charities	**230**	1,670	**0**	0
	33,585	29,948	**33,355**	28,278

16. College Investment Funds

	Consolidated and College	
	2011	2010
	£000	£000
Fixed interest stocks	**0**	147
Equities	**0**	1,453
Property investment trusts and shares	**0**	170
Hedge funds	**0**	85
Bank balances	**0**	70
	0	1,925

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

100% (2010 93.59%) of each class of asset under management is held by the endowment funds. The balance of 0% (2010 6.41%) represents general College funds.

17. Debtors

	Consolidated		College	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Research grants/contracts	**15,166**	14,062	**15,069**	13,883
Other debtors	**14,507**	13,348	**13,434**	12,494
Amounts owed by subsidiaries	**0**	0	**12,187**	6,585
Prepayments and accrued income	**2,771**	2,540	**2,699**	12,837
	32,444	29,950	**43,389**	45,799

Other debtors includes amounts held in Escrow against the warranties provided by the collective sellers in relation to the sale of Apatech Limited to the value of £707,340. Subject to no claims being made by the buyer, £689,750 was paid in September 2011 and £17,590 will be released before October 2013 to the profit and loss.

18. Creditors: Amounts Falling due within one year

	Consolidated		College	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Bank loans and overdrafts	**826**	39	**826**	39
Social security and other taxation payable	**4,135**	4,026	**4,128**	4,016
Research grants/contracts in advance	**37,220**	34,764	**37,025**	34,658
Other creditors and credit balances	**11,632**	14,897	**11,490**	13,922
Deferred grants	**1,670**	2,387	**1,670**	2,387
Accruals and deferred income	**12,781**	13,015	**19,418**	12,701
Amounts owed to subsidiaries	**0**	0	**3,097**	3,154
	68,264	69,128	**77,654**	70,877

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

	Consolidated 2011 £000	Consolidated 2010 £000	College 2011 £000	College 2010 £000
Bank loan	**76,566**	52,090	**59,585**	35,108
Finance leases	**26,613**	26,613	**26,613**	26,613
Other creditors	**500**	1,041	**500**	1,041
	103,679	79,744	**86,698**	62,762

Analysis of bank loans and finance leases

	Consolidated 2011 £000	Consolidated 2010 £000	College 2011 £000	College 2010 £000
In two years or less	**2,184**	0	**2,184**	0
Between two and five years	**15,188**	583	**15,188**	583
In five years or more	**86,331**	78,120	**69,349**	61,138
Total	**103,703**	78,703	**86,721**	61,721

Included within bank loans are the following:

Lender	Amount £000	Term years	Interest rate %	Borrower
Lloyds TSB (unsecured)	60,000	35	0.18 above base or LIBOR	College
Barclays (secured)	16,981	27	5.27	Queen Mary Bioenterprises Limited
	76,981			

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

Queen Mary Bioenterprises Limited entered into a loan facility for £16.5m with Barclays Bank PLC on 15 February 2007 to fund the building of an innovation centre. The loan facility is for 27 years and £16.475m of the loan facility has been drawn down. Interest is fixed at a rate of 5.27% p.a. Interest 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 £10.8m of this facility was drawn down (2010 £5.9m).

20. Deferred Capital Grants

	Note	HEFCE 2011	Research grants 2011	Other gifts 2011	Total 2011	Total 2010
		£000	**£000**	**£000**	**£000**	£000
Consolidated						
At 1 August 2011 (2010)						
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
Cash received/receivable						
Buildings		0	0	0	**0**	0
Assets in the course of construction		6,923	309	1,608	**8,840**	13,536
Plant		52	0	0	**52**	60
Equipment		1,205	482	0	**1,687**	2,477
Total		**8,180**	**791**	**1,608**	**10,579**	16,073
Released to Income and Expenditure						
Buildings	**2,4,5**	(2,603)	(299)	(70)	**(2,972)**	(3,675)
Assets in the course of construction		0	0	0	**0**	(57)
Plant	**2,4,5**	(982)	(1)	(87)	**(1,070)**	(1,576)
Equipment	**2,4,5**	(2,265)	(943)	(134)	**(3,342)**	(3,119)
Total		**(5,850)**	**(1,243)**	**(291)**	**(7,384)**	(8,427)
Transfers						
Buildings		28,660	0	3,828	**32,488**	6,230
Assets in the course of construction		(31,311)	(309)	(5,077)	**(36,697)**	(9,208)
Plant		486	0	(22)	**464**	1,865
Equipment		2,165	309	1,271	**3,745**	1,113
Total		**0**	**0**	**0**	**0**	0
At 31 July 2011 (2010)						
Buildings		**150,536**	**14,649**	**6,700**	**171,885**	142,369
Assets in the course of construction		**0**	**0**	**590**	**590**	28,447
Plant		**5,376**	**5**	**1,765**	**7,146**	7,700
Equipment		**6,849**	**2,687**	**1,267**	**10,803**	8,713
Total		**162,761**	**17,341**	**10,322**	**190,424**	187,229

20. Deferred Capital Grants (cont.)

	Note	HEFCE 2011	Research grants 2011	Other gifts 2011	Total 2011	Total 2010
		£000	**£000**	**£000**	**£000**	£000
College						
At 1 August 2011 (2010)						
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
Cash received						
Buildings		0	0	0	**0**	0
Assets in the course of construction		6,923	309	1,608	**8,840**	13,535
Plant		52	0	0	**52**	0
Equipment		1,205	482	0	**1,687**	2,477
Total		**8,180**	**791**	**1,608**	**10,579**	16,012
Released to Income and Expenditure						
Buildings	**2**	(2,603)	(299)	(65)	**(2,967)**	(2,779)
Plant	**2**	(982)	0	0	**(982)**	(952)
Equipment	**2**	(2,265)	(942)	(10)	**(3,217)**	(2,989)
Total		**(5,850)**	**(1,241)**	**(75)**	**(7,166)**	(6,720)
Transfers						
Buildings		28,660	0	3,694	**32,354**	2,274
Assets in the course of construction		(31,312)	(309)	(3,704)	**(35,325)**	(3,387)
Plant		486	0	0	**486**	0
Equipment		2,166	309	10	**2,485**	1,113
Total		**0**	**0**	**0**	**0**	0
At 31 July 2011 (2010)						
Buildings		**150,536**	**14,649**	**3,511**	**168,696**	139,309
Assets in the course of construction		**0**	**0**	**590**	**590**	27,075
Plant		**5,376**	**0**	**0**	**5,376**	5,820
Equipment		**6,849**	**2,688**	**0**	**9,537**	8,582
Total		**162,761**	**17,337**	**4,101**	**184,199**	180,786

21. Endowments

	Total restricted permanent	Total restricted expendable	Total endowment	Total endowment
	2011	**2011**	**2011**	2010
Consolidated	**£000**	**£000**	**£000**	£000
Balances at 1 August 2010 (2009)				
Capital	6,391	22,520	**28,911**	27,570
Accumulated income	1,037	0	**1,037**	901
	7,428	**22,520**	**29,948**	28,471
New endowments	1,994	668	**2,662**	463
Investment income	198	773	**971**	1,129
Expenditure	(155)	(1,502)	**(1,657)**	(2,564)
Transfer	0	0	**0**	(28)
Increase in market value of investments	622	1,524	**2,146**	2,799
Capital expenditure	0	(300)	**(300)**	(263)
Management fee	(45)	(140)	**(185)**	(59)
Transfer capital funds	12,422	(12,422)	**0**	0
Transfer revenue funds	8	(8)	**0**	0
Balances at 31 July 2011 (2010)	**22,472**	**11,113**	**33,585**	29,948
Represented by:				
Capital	21,384	11,113	**32,497**	28,911
Accumulated income	1,088	0	**1,088**	1,037
	22,472	**11,113**	**33,585**	29,948

The purpose of some funds, originally allocated as restricted expendable, have been identified during the year as restricted permanent funds. The reallocation of £12,422,000 of capital balances and £8,000 of revenue balances relating to these funds has been shown as a transfer between funds. The majority of this balance relates to three funds.

During the year the Charity Commission gave permission for restricted expendable funds totalling £345,000 to be used in fitting out a major research centre for the exploration and treatment of cardiovascular disease.

	Total restricted permanent	Total restricted expendable	Total endowment	Total endowment
	2011	**2011**	**2011**	2010
College	**£000**	**£000**	**£000**	£000
Balances at 1 August 2010 (2009)				
Capital	5,060	22,181	**27,241**	25,720
Accumulated income	1,037		**1,037**	904
	6,097	**22,181**	**28,278**	26,624
New endowments	3,325	767	**4,092**	156
Investment income	198	772	**970**	1,126
Expenditure	(155)	(1,491)	**(1,646)**	(2,105)
Increase in market value of investments	622	1,524	**2,146**	2,799
Capital expenditure	0	(300)	**(300)**	(263)
Management fee	(45)	(140)	**(185)**	(59)
Transfer capital funds	12,422	(12,422)	**0**	0
Transfer revenue funds	8	(8)	**0**	0
Balances at 31 July 2011 (2010)	**22,472**	**10,883**	**33,355**	28,278
Represented by:				
Capital	21,384	10,883	**32,267**	27,241
Accumulated income	1,088	0	**1,088**	1,037
	22,472	**10,883**	**33,355**	28,278

The purpose of some funds, originally allocated as restricted expendable, have been identified during the year as restricted permanent funds. The reallocation of £12,422,000 of capital balances and £8,000 of revenue balances relating to these funds has been shown as a transfer between funds. The majority of this balance relates to three funds.

During the year the Charity Commission gave permission for restricted expendable funds totalling £345,000 to be used in fitting out a major research centre for the exploration and treatment of cardiovascular disease.

Notes to the Financial Statements (cont.)

22. Revaluation Reserve

	Consolidated and College	
	2011	2010
	£000	£000
Revaluations		
Balance at 1 August 2010 (2009)	**12,953**	13,127
Released in year	**(170)**	(174)
Balance at 31 July 2011 (2010)	**12,783**	12,953

23. Capital Commitments

	Consolidated		College	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Capital expenditure contracted but not provided for in financial statements	**3,554**	20,302	**3,554**	17,337

24. Reconciliation of Consolidated Operating Surplus before Tax to Net Cash Inflow from Operating Activities

		Consolidated	
	Note	**2011**	2010
		£000	£000
Surplus/(deficit) for the year after depreciation of assets at valuation and before tax		**1,747**	(1,735)
Depreciation	**11**	**14,166**	13,038
Impairment		**0**	10,590
Net return on pension asset		**26**	27
Cash payment to reduce pension deficit		**(19)**	(19)
Deferred capital grants released to income	**20**	**(7,384)**	(8,427)
Investment income	**6**	**(1,166)**	(1,477)
Interest payable		**3,003**	2,230
Increase in stocks		**(96)**	(142)
(Increase)/decrease in debtors	**17**	**(2,494)**	154
(Decrease)/increase in creditors	**18**	**(1,388)**	5,695
Decrease in creditors due after one year	**19**	**(541)**	(297)
Net cash inflow from operating activities		**5,854**	19,637

25. Returns on Investment and Servicing of Finance

Income from investments	**6**	**1,009**	1,198
Interest received	**6**	**157**	279
Interest paid		**(3,003)**	(2,230)
Exchange rate (loss)/gain on opening net assets of foreign subsidiary		**(5)**	4
		(1,842)	(749)

26. Capital Expenditure and Financial Investment

	Note	Consolidated 2011 £000	2010 £000
Purchase of tangible assets	11	**(42,525)**	(45,610)
Purchase of investments		**(22,136)**	(9,682)
Total payments to acquire fixed and endowment asset investments		**(64,661)**	(55,292)
Sale of investments		**22,554**	6,848
Sale of fixed asset investments		**0**	10,863
Deferred capital grants received	20	**10,279**	15,810
Endowments received	21	**2,662**	463
		35,495	33,984
Net cash outflow from investing activities		**(29,166)**	(21,308)

27. Financing

	Note	2011	2010
New secured loans	19	**25,000**	0
Repayment of amounts borrowed		**0**	0
Net cash inflow from financing		**25,000**	0

28. Analysis of Changes in Net Debt

	At 1 August 2010 £000	Cash Flows £000	At 31 July 2011 £000
Cash at bank and in hand:			
Endowment assets	**2,876**	**1,045**	**3,921**
College Investments	**70**	**(70)**	**0**
Others	**12,109**	**(5,369)**	**6,740**
Total cash at bank and in hand	**15,055**	**(4,394)**	**10,661**
Short term deposits	**14,461**	**4,240**	**18,701**
Debts due within one year	**0**	**(523)**	**(523)**
Debts due after one year	**(78,703)**	**(24,477)**	**(103,180)**
Total net debt	**(49,187)**	**(25,154)**	**(74,341)**

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 financial statements will be limited to the disclosures. The impact of the change on the London Hospital and St Bartholomew's Hospital non teaching staff scheme is detailed below.

The College's contributions to the schemes, as at 31 July 2011, are shown below.

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

	2011	2010
	£000	£000
Contribution to USS	**13,505**	12,881
Contribution to SAUL	**3,119**	2,823
NHS Public Service scheme	**2,163**	2,077
Contribution paid to other pension schemes (note 29(v))	**10**	18
Net charge to Income and Expenditure Account	**18,797**	17,799

(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 Trust 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 year.

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 below.

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

The next formal actuarial valuation is in respect of the position as at 31 March 2011 when the rates will be reviewed. The valuation is expected to be concluded in the first quarter of 2012.

(ii) SAUL

The College participates in SAUL which is a centralised defined benefit scheme for all qualifying employees and is contracted out of the State Second Pension. The assets are held in separate Trust-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. 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 year.

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 below.

The next formal actuarial valuation is in respect of the position as at 31 March 2011 when the rates will be reviewed. The valuation is expected to be concluded in the first quarter of 2012.

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

Latest Actuarial Valuations	**USS**	**SAUL**
	31/03/2008	**31/03/2008**
Assumptions		
Investment returns per annum – past service liabilities	**4.4%**	**6.9%**
Investment returns per annum – future service liabilities	**6.1%**	**7.0%**
Salary scale increases per annum	**4.3%**	**4.85%**
Pension increases per annum	**3.3%**	**3.35%**

Results

Market value of assets at date of last valuation	**£28,843m**	**£1,266m**
Regular contribution rate	**16.0%**	**13.0%**
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	**103%**	**100%**

(iii) NHS Public Service Scheme

The Public Service scheme is an unfunded defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for 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 £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.

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

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

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

At 31 July 2011 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:

		2011	2010	2009	2008
Rate of increase in salaries		**N/A**	N/A	N/A	N/A
Discount rate		**5.20%**	5.40%	6.30%	6.50%
Inflation RPI assumption		**N/A**	3.40%	3.70%	3.80%
Inflation CPI assumption		**3.00%**	N/A	N/A	N/A
Rate of increases in pensions in payment:					
RPI up to a maximum of 5% pa (LHMC members)		**N/A**	3.20%	3.40%	3.50%
CPI up to a maximum of 5% pa (LHMC members)		**3.00%**	N/A	N/A	N/A
Fixed increases of 3% pa (Barts members)		**3.00%**	3.00%	3.00%	3.00%
Assumed life expectancies on retirement at age 60 are:					
Retiring today	Males	**25.4**	25.3	25.6	25.5
	Females	**28.0**	27.9	28.4	28.3
Retiring in 20 years time	Males	**26.8**	26.8	27.8	27.7
	Females	**29.3**	29.2	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 expected rate of return of the assets in the scheme were:

	Long-term rate of return expected at 31.07.2011	Long-term rate of return expected at 31.07.2010	Long-term rate of return expected at 31.07.2009	Long-term rate of return expected at 31.07.2008
	%	%	%	%
Equities	**6.99%**	7.28%	7.50%	7.60%
Bonds	**4.60%**	4.84%	5.40%	5.60%
Cash	**0.50%**	0.50%	0.50%	5.00%

29. Pension Costs (cont.)

The value of the assets in the scheme were:

	Value at 31.07.2011	Value at 31.07.2010	Value at 31.07.2009	Value at 31.07.2008
	£000	£000	£000	£000
Equities	**301**	277	271	277
Bonds	**959**	810	810	822
Cash	**2**	20	1	1
Total market value of assets	**1,262**	1,107	1,082	1,100
Present value of scheme liabilities	**(1,685)**	(1,596)	(1,465)	(1,465)
Deficit in scheme	**(423)**	(489)	(383)	(365)

The scheme has been closed since 1 August 1996. £19,000 was charged to operating profit in the year (2010 £19,000).

Analysis of the amount credited to other finance income:

	2011	2010	2009	2008
	£000	£000	£000	£000
Expected return on scheme assets	**60**	61	67	65
Interest cost	**(86)**	(88)	(88)	(80)
Net Return	**(26)**	(27)	(21)	(15)

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

	2011	2010	2009	2008
Actual return less expected return on pension scheme assets	**79**	75	(85)	(52)
Experience gains and losses arising on the scheme liabilities	**(6)**	(173)	0	8
Changes in assumptions underlying the present value of the scheme liabilities	**0**	0	(28)	48
Actuarial gain/(loss) recognised in STRGL	**73**	(98)	(113)	4

History of scheme assets, obligations and experience adjustments

Experience adjustments arising on scheme liabilities	**0**	(173)	0	8
Experience item as a percentage of scheme liabilities	**0.0%**	(10.8%)	0.0%	0.6%
Actual return less expected return on pension scheme assets	**79**	75	(85)	(52)
Percentage of scheme assets	**6.30%**	6.80%	(7.9%)	(4.7%)

A cumulative loss of £134,000 has been recognised in the Statement of Recognised Gains and Losses (2010 loss of £207,000).

The movement in the deficit in the year was:

	2011	2010	2009	2008
	£000	£000	£000	£000
Deficit in scheme at 1 August	**(489)**	(383)	(249)	(238)
Contribution by Employer	**19**	19	0	0
Current service cost	**0**	0	0	0
Other finance income	**(26)**	(27)	(21)	(15)
Actuarial gain/(loss)	**73**	(98)	(113)	4
Deficit in scheme at 31 July	**(423)**	(489)	(383)	(249)

The scheme deficit would have been £85,000 greater if the plan liabilities had continued to be linked to RPI as a measure of inflation rather than CPI.

(v) Defined contribution scheme

One of the College subsidiaries offers a defined contribution pension scheme to its staff. The cost for the year was £10,000 (2010 £18,000). There were no outstanding or prepaid contributions at the balance sheet date.

30. Access Funds

30 ACCESS FUNDS

	2011	2010
	£000	£000
Balance brought forward	**18**	3
Grant received	**191**	233
Interest	**0**	0
Expenditure	**(199)**	(218)
Balance carried forward	**10**	18

31. Related Party Disclosures

from the Income and Expenditure Account.

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	**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 Professor Nick Lemoine, Director of Barts Cancer Centre	Barts and the London NHS trust	12,597	3,774	1,311	32
Professor Sir Nicholas Wright, Director	William Harvey Research Foundation	158	0	0	0
Professor Sir Nicholas Wright, Director	Jean Shanks Foundation	8	0	0	0
Professor Simon Gaskell, Member, Strategy Advisory Board	Biotechnology and Biological Sciences Research Council	1,632	4	0	0
Professor Nick Lemoine, Director	National Institute for Health Research Comprehensive Local Research Network for Central and East London	69	0	1	0
Sir Nicholas Montagu, Member, Advisory Board	PWC	0	173	0	106
Professor Phillip Ogden, Trustee	St Barts Hospital Medical College Trust	2,260	0	0	0
Ms Deborah James, Partnership Governor	Homerton University Hospital	651	127	56	2
Mr Anthony Walker, Chair					

Notes to the Financial Statements (cont.)

32. Surplus on Continuing Operatons for the year

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

	2011	2010
	£000	£000
College's (deficit)/surplus for the year before Gift Aid and gain on sales of fixed assets	**(1,666)**	5,971
Gift Aid receivable from subsidiary undertakings	**0**	10,509
	(1,666)	16,480
Deficit retained by subsidiary undertakings after Gift Aid payments	**(3,166)**	(5,948)
Elimination of losses/(gains) on intra-group transactions on consolidation	**7,139**	(1)
Total	**2,307**	10,531

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 2011 the value of the draw downs including bank interest stood at £16,981,157 (2010 £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.

Queen Mary Bioenterprises Limited has received funding through a government grant to build the QMB Innovation Centre. This would become a liability, and a VAT liability might arise in some circumstances, in the event of the company being unable to meet the terms of the grant agreement as amended from time to time. Whilst the terms were met to 31 July 2011, the company is in the process of finalising arrangements which will support future compliance with revised terms. As at 31 July 2011 the value of the government grant received stood at £7,000,000, of which £1,440,819 has been taken to the profit and loss in the prior year.

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

Council Membership 2010–2011

Chairman	Sir Nicholas Montagu	
Treasurer	Mr Simon Linnett	
Vice-Chairman	Mr J M St J Harris	
Ex Officio Members		
The Principal	Professor S Gaskell	
The President of the Students' Union 2010-11	Mr V Domalip III	
Nominees of the Principal		Tenure ends
Senior Vice-Principal	Professor P E Ogden	31/08/2014
The Warden of St Bartholomew's and The Royal London School of Medicine and Dentistry	Professor Sir Nicholas Wright	31/08/2014
Elected Members [Staff]		
Professor N Lemoine		31/08/2013
Professor R Kuhn		31/08/2013
Professor M Watkinson		31/08/2014
Professor M Caulfield		31/08/2014
Ms D James		31/08/2014
External Members		
Ms M Elford		12/12/2011
Ms E Hall		12/12/2011
Mr J M St J Harris		31/08/2012
Sir David Kitchin		12/12/2011
Mr S Linnett		31/01/2014
Mr F V McClure		31/08/2013
Sir Nicholas Montagu		31/08/2014
Mr D Thomas		12/12/2011
Mr A Walker		31/08/2014
Mr J Yard		31/08/2014

Audit and Compliance Committee Membership 2010-11

Chairman [an external member of Council]	Mr D Thomas

Up to four other external members of Council
Ms E Hall
Mr F V McClure
Ms K Barrow (co-opted)

Queen Mary
University of London

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