

Financial Statements

for the year ended 31 July 2007

QUEEN MARY AND WESTFIELD COLLEGE
(University of London)

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

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TREASURER'S REPORT

Scope of the Financial Statements

These are the consolidated statutory accounts of Queen Mary and Westfield College, University of London and its subsidiaries for the year ended 31 July 2007. Details of the group are listed within note 12.

Results for the Year

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

	Year to 31 July 2007	Year to 31 July 2006
	£000	£000
Income	214,422	191,676
Expenditure	<u>214,276</u>	<u>194,330</u>
Surplus/(deficit) on operating activities	146	(2,654)
Exceptional Items	878	-
Taxation	<u>-</u>	<u>20</u>
Surplus/(Deficit) for the year after depreciation of assets at valuation and tax	1,024	(2,634)
Historical cost surplus/(deficit) after taxation and minority interest	1,120	(2,611)
Accumulated income and expenditure account	47,602	46,482

Council set a break-even budget for 2006/07 and this was achieved with a surplus on operating activities of £146,000. After profits on the sale of surplus properties in Whitechapel of £2 million and a write-off of development costs of £1.1 million, the overall surplus for the year was just over £1 million.

Higher Education Funding Council for England (HEFCE) Grants

Grants from the HEFCE increased by £9.8 million: a rise of 13.6% in comparison with the previous year. Last year, funding for additional student numbers of £2.1 million was held back pending recruitment to core programmes of student numbers previously awarded in respect of open and distance learning programmes. This year, I am pleased to be able to report that these new recruitment targets were met and the £2.1 million of additional funding was received. The College also received a further £1.3 million in respect of additional funded medical and dental students.

Core research grant increased by £3.4 million (18.4%). While there were some changes to research funding methodology, the College's share of the main quality related component of core research grant increased by £750,000, reflecting our growth in research activity being relatively more than that achieved by most universities.

Academic Fees and Support Grants

Income from student fees and support grants increased by over 27% to £47.7 million. Fees from full time home/EU students grew by £6.7 million (58%), of which £4.6 million was due to the introduction of £3,000 top up fees for new home and EU undergraduates. (It should be noted that the cost of bursaries increased by £1.8 million in order to help certain students cover the cost of these new tuition top up fees).

Overall, in addition to the increase attributable to the new fees, there was significant growth due to a 7.5% increase in the number of such home/EU undergraduates, as well as a 22% increase in the number of home/EU post graduate taught students. Income from students charged overseas fees grew by £1.9 million: an increase of 8.5% on the previous year.

Research Grants and Contracts

Income from research grants and contracts increased by 2.7% to £50.3 million. There was some delay in the flow through of the benefits from the introduction of full economic costing for research. While recoveries of overheads on College research grants increased by £720,000, this did not match Research Council transitional funding for the introduction of full economic costing received in 2005/06 of £1.2 million.

Staff Costs

Expenditure on staff increased by 10.7% to £127.4 million due to the national pay award, the first full year effect of migration to a new single pay spine from January 2006, and recruitment of academic and support staff. In particular, over 100 additional academic and clinical staff were employed as a consequence of increases in student numbers and research activity.

Other costs

Charges for depreciation increased by £2.1 million following completion of capital projects previously reported. Other operating expenditure grew by 6.2% with an increase in fellowships, scholarships and prizes of £2.6 million.

Reserves and Cash Flow

The consolidated income and expenditure account reserve stood at £47.6 million at 31 July 2007, £1.1 million higher than a year ago. Expenditure on phase 3 of the student village, other capital schemes and reversals of temporary financing of capital expenditure from working balances have also led, as envisaged, to borrowings increasing by £12.3 million. This has been achieved by the commitment of a new loan facility for 35 years in respect of which over 70% is at fixed rates of interest below 5% as detailed in note 16 to these financial statements. The significant element of long term, fixed interest funding provides for greater certainty in the College's planning.

Capital Projects

The £12.0 million construction of phase 3 of the student village was completed along with £23.7 million expenditure in respect of an extensive programme of relatively small refurbishments of teaching and research facilities throughout the different campuses. Queen Mary Innovation Limited (QMIL), a wholly owned subsidiary, had to write off the development costs referred to in the first paragraph due to unforeseen planning difficulties with a particular site. Nevertheless, the company has moved forward to let a contract to build a large technology innovation centre elsewhere in Whitechapel.

Treasury Management and Investments

As at July 2007 and after the release of £2.2 million for the refurbishment of premises at Lincolns Inn Fields, endowment investments stood at £36.8 million. This compares with £36.3 million a year earlier. Endowment assets are managed by Newton Investment Management Limited which was appointed in December 2001. We are pleased that the performance achieved by them since then is cumulatively 9% ahead of the benchmark established for the fund.

Staff

The College interacts with its staff at open meetings and other forums at which the key issues facing the Institution are discussed. The Education and Staff Development section works to maximise support and career development opportunities for all staff. Having introduced a single pay spine in 2005/06, further progress was made towards:-

- implementing job evaluation across the College;
- evaluating the practicality and affordability of harmonising terms and conditions for all staff; and
- offering a minimum of the London Living Wage in respect of externally contracted staff.

Student Numbers

The number of students enrolled during the year increased from 12,026 in 2005/06 to 13,260 in 2006/07. Of these, 831 students were based in China studying flagship joint degree programmes in collaboration with the Beijing University of Post and Telecommunications. Overall, this expansion of student numbers continues our above average growth pattern that started in 2002.

2007/08 and beyond

Having expanded rapidly in the last five years, the next stage of the College's development is being shaped by our determination to be ready for the changes that will impact upon the higher education sector in 2009/10, and the need to continue to maintain and develop our estate.

Results of the 2008 Research Assessment Exercise, implementation of the HEFCE's new teaching funding methodology and a possible lifting of the cap on undergraduate home/EU fees combine to ensure that 2009/10 will be a significant year for the higher education sector. The College is vigorously reviewing its cost base and infrastructure with a view to managing any shocks and taking maximum advantage of opportunities that may arise from these changes.

The College has set target surpluses of approximately £2.0 million for each of 2007/08 and 2008/09 in order to finance the continued maintenance and development of its Estate. The eastern side of the Mile End site provides an impressive example of modern campus development, the Blizard Building at Whitechapel embodies the latest thinking in research facility design and the new premises at Lincolns Inn Fields provide an excellent base from which to launch the Queen Mary LLM. The College's Estates Strategy proposes that these high standards of development are applied across all campuses.

Recent years have seen substantial improvements in the College's finances and profile; we look forward with confidence, but not complacency, to the challenges that lie ahead.

Congratulations and thanks are again due to all those at the College for their contribution to the progress achieved during another successful year.

Auditors

A resolution for the appointment of auditors of the College will be proposed to Council following the completion of a best practice competitive tendering exercise

Charles Perrin
22 November 2007

STATEMENT OF CORPORATE GOVERNANCE AND RESPONSIBILITIES OF COUNCIL

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

Constitution and Governing Body

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

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

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

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

The Chairman of the Council is required to be elected from among the external members of Council. There is also provision for the election of members of the academic staff, and representatives of other staff groups, to Council and for two student representatives. No members of the Council, apart from staff members, receive any remuneration for the work which they do for the College.

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

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

The Role of the Principal

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

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

College Committees

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

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

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

Responsibilities of the Council

The College maintains a Register of Interests of members of the Council and of members of the senior executive which is published on the Council web pages.

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

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the College's Charter of Incorporation, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Council of the College, the Council, through its designated office holder, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

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

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

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

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

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

- clear definition of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Compliance Committee and Council;
- internal audit carried out by an external firm of auditors. The programme is approved by the Audit and Compliance Committee.
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast out-turn.

Internal Controls

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

- As the Council of the College, the Council has responsibility for maintaining an effective system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the Council in the Charter and the Financial Memorandum with HEFCE.
- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- The system of internal control is based on a continuing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.
- The Council receives periodic reports from the Chairman of the Audit and Compliance Committee concerning internal control. The appropriate committees of the Council receive reports from senior executives on the steps the College is taking to manage risks in their areas of responsibility, including progress reports on key projects.
- During the year under review the College has:

- a. ensured that the risk monitoring and diagnostic mechanisms are properly integrated, with the review of a Major Risks Register;
 - b. extended the programme of risk awareness training.
- The institution procures its internal audit service from Deloitte & Touche Limited, which operates to standards defined in the revised HEFCE Audit Code of Practice.

The work of the internal audit service is informed by an analysis of risks to which the College is exposed, and annual internal audit plans are based on this analysis. The Council endorses the analysis of risks and the internal audit plans on the recommendations of the Audit and Compliance Committee. At least annually the head of internal audit provides the Audit and Compliance Committee with a report on internal audit activity in the College. The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

- The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.
- During the year, Audit and Compliance Committee embarked upon a programme reviewing compliance risks by way of receiving reports from each of the committees responsible for those risks.

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

We have audited the Consolidated and College financial statements (the "financial statements") of Queen Mary and Westfield College for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of the College's Council and Auditors

The College's Council is responsible for preparing the Treasurer's Report and the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003). We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Treasurer's Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College and the group as at 31 July 2007 and of the Consolidated surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003);
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

KPMG LLP

22 November 2007

*Chartered Accountants
Registered Auditor*

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Brighton Road
Crawley
West Sussex
RH11 9PT

STATEMENT OF ACCOUNTING POLICIES

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

1 Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible assets and endowment asset investments and in accordance with both the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions (SORP 2003), and applicable Accounting Standards.

2 Basis of Consolidation

The financial statements consolidate the financial statements of the College and its subsidiary and associated undertakings for the financial year ended 31 July 2007.

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

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

The consolidated financial statements do not include those of the Queen Mary and Westfield College Students Union or of subsidiaries or associates with immaterial results, assets or liabilities (Apatech Limited), or that are dormant at 31 July 2007 (refer note 12).

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

3 Recognition of Income

- (i) Income from sponsored research grants and contracts is included to the extent of direct expenditure incurred during the year plus recoverable overheads. Unspent balances are carried forward.
- (ii) Investment income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.
- (iii) Income from specific endowments and donations is included to the extent of expenditure incurred during the year together with any related contributions towards indirect costs.

4 Pension Schemes

As described in note 26, the College is a member of defined benefit pension schemes. The schemes are multi-employer schemes where the share of assets and liabilities attributable to each employer are not identified. The College therefore accounts for its pension costs on a defined contribution basis as permitted by FRS 17. Differences between amounts charged to the Income and Expenditure Account and amounts funded are shown as either provisions or prepayments in the Balance Sheet.

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

5 Foreign Currencies

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

6 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased asset at inception of the lease less depreciation. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to provide the outstanding obligation at the next option date and the interest element is charged to the Income and Expenditure Account so as to give a constant periodic rate of charge of the remaining balance outstanding at the end of each accounting period.

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

7 Land and Buildings

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

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

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

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

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

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

8 Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is depreciated over five to eight years if the cost is greater than £500,000 and over three years if the cost is less than £500,000.

9 Investments

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

10 Stocks

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

11 Cash Flows and Liquid Resources

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

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

12 Maintenance of Premises

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

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

13 Unspent Balances

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

14 Taxation Status

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

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2007

	Note	2007	2006
		£000	£000
Income			
Funding Council grants	1	82,168	72,348
Tuition Fees and Education contracts	2	47,743	37,600
Research grants and contracts	3	51,429	49,498
Other operating income	4	30,916	30,440
Endowment income and interest receivable	5	2,166	1,790
Total income		214,422	191,676
Expenditure			
Staff costs	6	127,407	115,086
Other operating expenses	7	75,561	71,160
Depreciation	11	9,299	7,216
Interest payable	8	2,009	868
Total expenditure	9	214,276	194,330
Surplus/(Deficit) for the year after depreciation of assets at valuation and before tax		146	(2,654)
Write off asset development costs in subsidiary undertaking		(1,144)	—
Surplus on sale of tangible assets		2,022	—
Surplus/(Deficit) for the year before taxation		1,024	(2,654)
Taxation	10	—	20
Surplus/(Deficit) for the year after depreciation of assets at valuation and tax		1,024	(2,634)
Minority interest		—	(166)
Associates		(88)	2
Retained Surplus/(Deficit) for the year	30	936	(2,798)
Note of historical cost surpluses			
Surplus/(Deficit) for the year before taxation		936	(2,654)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	19	184	187
Historical cost surplus/(deficit) for the period before taxation		1,120	(2,467)
Retained historical cost surplus/(deficit) after taxation and minority interest		1,120	(2,611)

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

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

BALANCE SHEET AS AT 31 JULY 2007

	Note	Consolidated		College	
		2007 £000	2006 £000	2007 £000	2006 £000
Fixed assets					
Tangible assets	11	286,369	259,646	294,948	269,278
Investments	12	1,417	256	4,230	3,730
		<u>287,786</u>	<u>259,902</u>	<u>299,178</u>	<u>273,008</u>
Endowment asset investments	13	36,826	36,275	36,826	36,275
Current assets					
Stocks		218	432	218	163
Debtors	14	22,291	26,222	26,069	27,765
Investments		—	5,444	—	5,444
Cash at bank and in hand		15,396	2,989	12,541	1,389
		<u>37,905</u>	<u>35,087</u>	<u>38,828</u>	<u>34,761</u>
Creditors: amounts falling due within one year	15	(44,588)	(36,958)	(46,837)	(38,996)
Net current liabilities		<u>(6,683)</u>	<u>(1,871)</u>	<u>(8,009)</u>	<u>(4,235)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		317,929	294,306	327,995	305,048
Creditors: amounts falling due after more than one year	16	(59,363)	(47,069)	(59,363)	(47,069)
NET ASSETS		<u>258,566</u>	<u>247,237</u>	<u>268,632</u>	<u>257,979</u>
Deferred capital grants	17	160,368	150,476	157,258	149,100
Endowments	18	36,826	36,275	36,826	36,275
Reserves					
Revaluation reserve	19	13,484	13,668	13,484	13,668
Income and expenditure account		47,602	46,482	61,064	58,936
Other reserves*		286	—	—	—
Total Reserves		<u>61,372</u>	<u>60,150</u>	<u>74,548</u>	<u>72,604</u>
Minority interest		—	336	—	—
TOTAL		<u>258,566</u>	<u>247,237</u>	<u>268,632</u>	<u>257,979</u>

Approved by Council on 22 November 2007 and signed on its behalf by

DR C BOWE
ChairmanPROF A F M SMITH
Principal

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

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2007

	Note	2007	2006
		£000	£000
Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax		936	(2,798)
Add			
Currency translation differences on net foreign investment		(1)	—
Unrealised gain arising from dilution of the shareholding in an associated undertaking		287	—
Revaluation of endowment investments	13	2,697	2,752
Endowment income (utilised)/retained and new endowments		(2,146)	378
Total recognised gains relating to the year		<u>1,773</u>	<u>332</u>
Reconciliation			
Opening reserves and endowments		96,425	96,093
Total recognised gains and losses relating to the year		<u>1,773</u>	<u>332</u>
Closing reserves and endowments		<u>98,198</u>	<u>96,425</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2007

	<u>Note</u>	<u>2007</u> £000	<u>2006</u> £000
Net cash inflow from operating activities	21	13,597	8,945
Returns on investments and servicing of finance	22	(121)	904
Taxation		—	20
Associates		(88)	2
Capital expenditure and financial investment	23	(18,975)	(16,503)
Financing	24	12,295	7,437
Increase in cash	25	<u>6,708</u>	<u>805</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash in the period	<u>6,708</u>	<u>805</u>
Change in net funds	<u>6,708</u>	<u>805</u>
Net Funds at 1 August	12,738	11,933
Net Funds at 31 July	<u>19,446</u>	<u>12,738</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Funding Council Grants

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£000	£000
Recurrent grant		73,521	62,996
Specific grants		3,476	5,035
Deferred capital grants released in year			
Buildings	17	2,746	2,545
Equipment	17	2,425	1,772
		<u>82,168</u>	<u>72,348</u>

2 Tuition fees and education contracts

Full-time students charged home/EU fees		18,234	11,536
Full-time students charged overseas fees		24,606	22,687
Part-time students		1,821	1,760
Research training support grants		238	57
Short course fees		658	1,018
Other fees and support grants		2,186	542
		<u>47,743</u>	<u>37,600</u>

3 Research grants and contracts

Research councils		15,137	14,259
UK central government bodies		4,777	4,272
UK industry and commerce		3,214	2,647
UK-based charitable and health bodies		21,284	20,616
European Community		3,526	3,039
Other overseas countries		1,572	1,345
Other		770	2,796
Deferred capital grants released in year	17	1,149	524
		<u>51,429</u>	<u>49,498</u>

4 Other operating income

Residences, catering and conferences		10,981	9,776
Other services rendered		3,455	4,337
Health authorities		11,515	11,008
Other income		4,965	5,319
		<u>30,916</u>	<u>30,440</u>

5 Endowment income and interest receivable

	Note	2007 £000	2006 £000
Transferred from specific endowments	18	1,179	1,028
Interest receivable		<u>987</u>	<u>762</u>
		<u>2,166</u>	<u>1,790</u>

6 Staff

Staff costs:

Wages and salaries	105,523	95,681
Social security costs	9,540	8,636
Pension costs	12,344	10,769
	<u>127,407</u>	<u>115,086</u>

Emoluments of the Principal

Basic salary	189	172
London allowance	—	—
Special allowance	8	8
Benefits in kind	—	—

The emoluments of the Principal are shown on the same basis as for higher paid staff. The College's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £27,533 (2006 £25,252).

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

Remuneration of other higher-paid staff

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

	2007 Number of staff	2006 Number of staff
£70,001 — £80,000	61	50
£80,001 — £90,000	43	33
£90,001 — £100,000	22	17
£100,001 — £110,000	14	12
£110,001 — £120,000	12	14
£120,001 — £130,000	11	9
£130,001 — £140,000	6	4
£140,001 — £150,000	4	7
£150,001 — £160,000	4	5
£160,001 — £170,000	3	3
£170,001 — £180,000	3	—
£180,001 — £190,000	2	1
£190,001 — £200,000	2	2
£200,001 — £210,000	2	—

No redundancy payments were made to higher-paid staff in the year to 31 July 2007. (2006:£Nil)

NOTES TO THE FINANCIAL STATEMENTS continued

6 Staff continued

Average number of employees by category

	2007	2006
	<u> </u>	<u> </u>
Academic and Clinical	1,410	1,302
Administration	488	478
Technical	163	162
Other (including Clerical)	641	679
	<u>2,702</u>	<u>2,621</u>

7 Other operating expenses

	2007	2006
	<u>£000</u>	<u>£000</u>
Residences, catering and conferences operating expenses	4,742	4,220
Consumables and laboratory expenditure	15,023	17,835
Funds payable to other colleges	755	283
Equipment	4,631	3,802
Books and periodicals	1,928	1,876
Fellowships, scholarships, prizes, and studentships	14,000	11,358
Heat, light, water and power	2,592	1,877
Repairs and general maintenance	1,890	975
Rent, rates and insurance	2,379	2,261
Other premises costs	2,867	2,139
Provision for doubtful debts	242	(244)
Grant to Students Union	688	658
Auditors' remuneration	120	91
Auditors' remuneration in respect of non-audit services	123	5
Miscellaneous audits of specific grants	3	5
Severance costs and pensions	541	605
University of London central charges	958	907
Professional and other fees	4,084	3,896
Conferences, travel and training	4,371	4,081
Non-established staff expenses	8,989	8,768
Impairment of investments held by QMUL**	1,016	—
Other expenses*	3,619	5,762
	<u>75,561</u>	<u>71,160</u>

* Includes £117,845 in respect of Internal Audit fees. (2006 £98,891)

** Impairment of assets is in respect of investments that are held in early stage investment companies and valued at a nominal value.

NOTES TO THE FINANCIAL STATEMENTS continued

8 Interest payable

	<u>2007</u>	<u>2006</u>
	£000	£000
On loans and finance leases	2,009	868
	<u>2,009</u>	<u>868</u>

9 Analysis of 2007 expenditure by activity

	Note	Staff Costs	Depre- ciation	Other operating Costs	Interest Payable	2007 Total	2006 Total
		£000	£000	£000	£000	£000	£000
Academic departments		74,862	2,926	23,379	—	101,167	90,495
Academic services		6,360	454	4,524	—	11,338	10,814
Research grants and contracts		25,443	819	19,561	—	45,823	41,876
Residences, catering and conferences		2,265	750	4,742	—	7,757	7,335
Premises		4,420	3,821	9,454	2,009	19,704	15,950
Administration		12,112	115	12,252	—	24,479	22,383
Other		1,945	414	1,649	—	4,008	5,477
Total per income and expenditure account		<u>127,407</u>	<u>9,299</u>	<u>75,561</u>	<u>2,009</u>	<u>214,276</u>	<u>194,330</u>
Total for year ended 31 July 2006		<u>115,086</u>	<u>7,216</u>	<u>71,160</u>	<u>868</u>	<u>194,330</u>	

The depreciation charge has been funded by:

Deferred capital grants released	17	6,320
Revaluation reserve released	19	184
General Income		2,795
		<u>9,299</u>

10 Taxation

UK Corporation tax at 30% (30% in 2006) on the profits of Retroscreen Virology Limited

	<u>2007</u>	<u>2006</u>
	£000	£000
	—	(20)

The tax credit in 2006 arises due to a Research and Developments tax credit claim in Retroscreen Virology Ltd. The Council does not believe that the College is liable for any corporation tax arising out of its activities during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

11 Tangible Assets

	Land and Buildings				Total
	Freehold	Long Leasehold	Assets in course of construction	Equipment	
	£000	£000	£000	£000	
Consolidated					
Cost					
At 1 August 2006	232,618	34,476	15,159	34,290	316,543
Transfers	35,085	—	(35,705)	620	—
Additions at cost	3,852	—	27,109	5,681	36,642
Disposals at cost	(643)	—	—	(120)	(763)
At 31 July 2007	<u>270,912</u>	<u>34,476</u>	<u>6,563</u>	<u>40,471</u>	<u>352,422</u>
Depreciation					
At 1 August 2006	(23,879)	(8,112)	—	(24,906)	(56,897)
Charge for the year	(4,009)	(527)	—	(4,763)	(9,299)
Disposals	143	—	—	—	143
At 31 July 2007	<u>(27,745)</u>	<u>(8,639)</u>	<u>—</u>	<u>(29,669)</u>	<u>(66,053)</u>
Net book value					
At 31 July 2007	<u>243,167</u>	<u>25,837</u>	<u>6,563</u>	<u>10,802</u>	<u>286,369</u>
Net book value					
At 1 August 2006	<u>208,739</u>	<u>26,364</u>	<u>15,159</u>	<u>9,384</u>	<u>259,646</u>
College					
Cost					
At 1 August 2006	244,286	34,476	13,612	33,447	325,821
Transfers	35,705	—	(35,705)	—	—
Additions at cost	3,852	—	25,782	5,400	35,034
Disposals at cost	(624)	—	—	—	(624)
At 31 July 2007	<u>283,219</u>	<u>34,476</u>	<u>3,689</u>	<u>38,847</u>	<u>360,231</u>
Depreciation					
At 1 August 2006	(23,873)	(8,112)	—	(24,558)	(56,543)
Charge for the year	(4,008)	(527)	—	(4,348)	(8,883)
Disposals	143	—	—	—	143
At 31 July 2007	<u>(27,738)</u>	<u>(8,639)</u>	<u>—</u>	<u>(28,906)</u>	<u>(65,283)</u>
Net book value					
At 31 July 2007	<u>255,481</u>	<u>25,837</u>	<u>3,689</u>	<u>9,941</u>	<u>294,948</u>
Net book value					
At 1 August 2006	<u>220,413</u>	<u>26,364</u>	<u>13,612</u>	<u>8,889</u>	<u>269,278</u>

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

11 Tangible Assets - Land and Buildings continued

The College occupies certain premises with an estimated net usable floor space of 7,569 square metres in and near the vicinity of St Bartholomew's Hospital which is owned and leased by other bodies and for which no annual or nominal rental payment is made. In addition, the College occupies premises for which no formal rental is paid although a contribution is made to the maintenance and running costs of these premises.

The freehold of the Medical College site at Charterhouse Square is vested in the Trustees of the Medical College of St Bartholomew's Hospital Trust. The site is leased to the College for a term of 26 years from 16 December 1999. The rent reserved is one peppercorn per annum plus an annual rent equal to the rents received from the sub-tenancies.

Freehold buildings include £26,613,138 net book value in respect of assets under finance leases. The depreciation charge in respect of these assets is £532,263.

12 Fixed Asset Investments

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
Investment in subsidiary companies at cost	—	—	3,517	3,517
Investments in associates	704	43	—	—
Other Investments	713	213	713	213
	<u>1,417</u>	<u>256</u>	<u>4,230</u>	<u>3,730</u>

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

	Country of Registration	Equity Holding	Proportion held	Principal Activity
Broadmast Limited	England	Ordinary	100.00%	Non Trading**
Nanoforce Technology Limited	England	Ordinary	100.00%	Micro and Nanotechnology facility
Nuerotex Limited	England	Ordinary	20.00%	Intellectual Property
QMC Industrial Research Limited	England	Ordinary	100.00%	Holding Company
QMC Industrial Research Limited	England	Preference	100.00%	Holding Company
QMW Public Policy Seminars Limited	England	Ordinary	69.90%	Non Trading**
Queen Mary Innovation Limited	England	Ordinary	100.00%	Developing Innovation Centre
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48.00%	Smart Antennas for wireless networks
People's Palace Projects Limited	England	Limited by guarantee	100%	Participatory arts charity
Vaxome Limited	England	Ordinary	33.00%	Intellectual Property
William Harvey Research Limited	England	Ordinary	40.00%	Research

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

12 Fixed Asset Investments continued

QMW Public Policy Seminars Limited	England	Ordinary	30.10%	Non Trading**
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	52.00%	Smart Antennas for wireless networks
Retroscreen Virology Limited	England	Ordinary	41.82%	Virology Research*
Stealthyx Therapeutics Limited	England	Ordinary	42.00%	Intellectual Property
TMS Technologies International Limited	England	Ordinary	100.00%	Dormant
Vision Semantics Limited (formerly Agent Tel Limited and Isophonics Limited)	England	Ordinary	100.00%	Dormant

CCLS Services Limited holds shares in a subsidiary company:

	Country of Registration	Equity Holding	Proportion held	Principal Activity
Queen Mary Intellectual Property Research Institute Limited	England	Ordinary	100.00%	Dormant

Other Investments

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

QMC Industrial Research Limited holds 2,250,000 ordinary shares in Apatech Limited, representing 14.91% of the share capital.

QMC Industrial Research Limited holds 24,500 ordinary shares in Phosphonics Limited, representing 1.07% of the share capital.

QMC Industrial Research Limited holds 800 ordinary shares in Viratis Limited, representing 11.11% of the share capital.

College holds 1,000,000 ordinary shares in Gardent Pharmaceuticals Inc representing 1.00% of the share capital

* On 23rd August 2006, IP Group Plc invested £1,000,000 in Retroscreen Virology Limited for 51,133 ordinary shares. This had the effect of diluting QMC Industrial Research Limited's shareholding to 41.82% of the company.

** Broadmast Limited and QMW Public Policy Seminars Limited have applied to Companies House to be struck off.

13 Endowment asset investments

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
Balance at 1 August	36,275	33,145	36,275	33,145
Additions	11,822	20,940	11,822	20,940
Disposals	(13,968)	(20,562)	(13,968)	(20,562)
Appreciation on disposals/revaluations	2,697	2,752	2,697	2,752
Balance at 31 July	<u>36,826</u>	<u>36,275</u>	<u>36,826</u>	<u>36,275</u>
Represented by:				
Fixed interest stocks	2,839	3,672	2,839	3,672
Equities	23,580	21,037	23,580	21,037
Property investment trusts and shares	3,708	3,746	3,708	3,746
Hedge Funds	2,649	3,515	2,649	3,515
Bank balances	4,050	4,305	4,050	4,305
	<u>36,826</u>	<u>36,275</u>	<u>36,826</u>	<u>36,275</u>
Fixed interest, Equities, Property and Hedge Funds at cost	<u>27,714</u>	<u>27,635</u>	<u>27,714</u>	<u>27,635</u>

NOTES TO THE FINANCIAL STATEMENTS continued

14 Debtors

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
Research grants/contracts	14,665	15,568	14,665	15,568
Other debtors	6,040	8,807	5,927	7,143
Amounts owed by subsidiaries	—	—	3,953	3,436
Prepayments and accrued income	1,586	1,847	1,524	1,618
	<u>22,291</u>	<u>26,222</u>	<u>26,069</u>	<u>27,765</u>

15 Creditors : amounts falling due within one year

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loans and overdrafts	—	873	—	873
Finance leases	268	520	268	520
Social security and other taxation payable	3,139	2,901	3,132	2,897
Research grants/contracts in advance	22,424	17,015	21,974	17,015
Other creditors and credit balances	7,070	6,044	6,938	5,704
Deferred grants	4,470	3,109	4,470	2,839
Accruals and deferred income	7,217	6,496	6,980	6,115
Amounts owed to subsidiaries	—	—	3,075	3,033
	<u>44,588</u>	<u>36,958</u>	<u>46,837</u>	<u>38,996</u>

16 Creditors: amounts falling due after more than one year

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loan	35,108	22,546	35,108	22,546
Finance leases	24,255	24,523	24,255	24,523
	<u>59,363</u>	<u>47,069</u>	<u>59,363</u>	<u>47,069</u>

Additional disclosure required for bank loan

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
The bank loan is repayable as follows:				
In one year or less	—	873	—	873
Between one and two years	—	1,091	—	1,091
Between two and five years	383	3,272	383	3,272
In five years or more	34,725	18,183	34,725	18,183
Total	<u>35,108</u>	<u>23,419</u>	<u>35,108</u>	<u>23,419</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

The College entered into a loan facility for £60m with Lloyds TSB on 6 March 2007 to refinance £25 million of loans with the Royal Bank of Scotland 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 £16.3 million is, therefore, due in year 35.

The following swaps, excluding margin, were put in place on 7 March 2007:

£15m for 35 years at 4.57%.

£15m for 25 years at 4.745%

£12m forward starting in three years time for 18years at 4.63%

However, a 25 year amortising swap at 5.22% was previously taken out in respect of the loans with the Royal Bank of Scotland. The cost of breaking, blending and extending this swap to bring it into the new structure increases the weighted average cost on the fixed element of the funding to 4.88% including margin. By effecting this re-financing, the College secured a larger loan for a longer period at lower cost.

Additional disclosure required for finance lease

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
The finance leases are repayable as follows:				
In one year or less	268	520	268	520
Between one and two years	82	268	82	268
Between two and five years	(528)	(167)	(528)	(167)
In five years or more	24,701	24,422	24,701	24,422
Total	24,523	25,043	24,523	25,043

17 Deferred Capital Grants

	Note	Consolidated and College		Total
		HEFCE	Other grants and benefactions	
		£000	£000	£000
At 1 August 2006				
Buildings		124,971	12,983	137,954
Assets in the course of construction		1,395	150	1,545
Equipment		8,227	2,750	10,977
Total		134,593	15,883	150,476
Cash received				
Buildings		—	—	—
Assets in the course of construction		8,289	4,708	12,997
Equipment		2,834	381	3,215
Total		11,123	5,089	16,212
Released to Income and Expenditure				
Buildings	1	(2,499)	(247)	(2,746)
Equipment	1,3	(2,425)	(1,149)	(3,574)
Total		(4,924)	(1,396)	(6,320)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Deferred Capital Grants - continued

	Note	Consolidated and College		
		HEFCE £000	Other grants and benefactions £000	Total £000
Transfers				
Buildings		8,757	4,181	12,938
Assets in the course of construction		(8,757)	(4,857)	(13,614)
Equipment		—	676	676
Total		—	—	—
At 31 July 2007				
Buildings		131,229	16,917	148,146
Assets in the course of construction		927	1	928
Equipment		8,636	2,658	11,294
Total		140,792	19,576	160,368

18 Endowments

	Consolidated and College	
	2007 £000	2006 £000
Balance at 1 August	36,275	33,145
Additions	332	592
Disposals	—	—
Appreciation of endowment asset investments	2,697	2,752
Income for the year	901	1,010
Transferred to Income and Expenditure account	(1,179)	(1,028)
Transferred to Deferred Capital Grants (other grants and benefactions)	(2,200)	(196)
Balance at 31 July	36,826	36,275
Representing:		
Fellowships and scholarships funds	2,531	2,289
Prize funds	3,597	3,293
Chairs and lectureships funds	3,767	3,549
Other specific funds	26,931	27,144
Total Specific Endowments*	36,826	36,275

*The College has no General Endowments

19 Revaluation reserve

	Consolidated	Consolidated	College	College
	2007 £000	2006 £000	2007 £000	2006 £000
Revaluations				
Balance at 1 August	13,668	13,855	13,668	13,855
Released in year	(184)	(187)	(184)	(187)
Balance at 31 July	13,484	13,668	13,484	13,668

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 Capital commitments

	Consolidated and College	
	2007	2006
	£000	£000
Capital expenditure contracted but not provided for in financial statements	8,188	12,779

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

	Note	Consolidated	
		2007	2006
		£000	£000
Operating surplus/(deficit) before tax		1,024	(2,654)
Depreciation	11	9,299	7,216
Deferred capital grants released to income	17	(6,320)	(4,841)
Investment income	5	(2,166)	(1,790)
Profit on the sale of tangible assets		(2,022)	—
Interest payable	8	2,009	868
Decrease in stocks		214	56
Decrease in debtors	14	3,930	7,029
Increase in creditors	15	7,629	3,061
Net cash inflow from operating activities		13,597	8,945

22 Returns on investment and servicing of finance

Income from endowments	18	901	1,010
Interest received		987	762
Interest paid	8	(2,009)	(868)
		(121)	904

23 Capital expenditure and financial investment

Purchase of tangible assets	11	(36,642)	(35,214)
Purchase of investments	12,13,25	(12,577)	(20,832)
Dilution of shareholding in associate undertaking		(710)	—
Total payments to acquire fixed and endowment asset investments		(49,929)	(56,046)
Sale of investments	13	13,968	20,562
Sale of land and buildings		2,642	—
Deferred capital grants received		14,012	18,389
Endowments received	18	332	592
		30,954	39,543
Net cash (outflow)/inflow from investing activities		(18,975)	(16,503)

24 Financing

Note	Consolidated	
	2007	2006
	£000	£000
Debt due beyond a year:		
New secured loans repayable by 2042	37,884	8,651
Repayment of amounts borrowed	(25,069)	(328)
Capital element of finance lease rental payments	(520)	(886)
Net cash inflow/(outflow) from financing	12,295	7,437

25 Analysis of changes in net funds

	2007		
	At 1 August	Cash Flows	At 31 July
	£000	£000	£000
Cash at bank and in hand:			
Endowment assets	4,305	(255)	4,050
Others	2,989	12,407	15,396
Total cash at bank and in hand	7,294	12,152	19,446
Investments	5,444	(5,444)	—
	12,738	6,708	19,446

26 Pension costs

SAUL

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

26 Pension costs continued

USS

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

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

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

Public Service Scheme (NHS)

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

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

Contributions

The College's contributions to the schemes, as at 31 July 2007, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions	6.35	6.00	6.00
Employer's contributions	14.00	13.00	14.00
		2007	2006
		£000	£000
Contribution to USS		9,068	7,936
Contribution to SAUL		1,624	1,170
Public Service Scheme		1,652	1,650
Net charge to Income and Expenditure Account		12,344	10,756

27 Access funds

	2007	2006
	£000	£000
Balance brought forward	32	26
Grant received	333	468
Interest	5	6
Expenditure	(358)	(468)
Balance carried forward	12	32

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

NOTES TO THE FINANCIAL STATEMENTS continued

28 Related party disclosures

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

29 Guarantee

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 Innovation Limited (QMIL) for the purpose of constructing a technology innovation centre at Whitechapel. As at 31 July 2007, no draw downs had been made against the loan facility. However, in September 2007, QMIL entered into a contract for the construction of the technology innovation centre; the funding of which will require draw downs against the loan facility in due course. The College's liability under the guarantee is contingent upon QMIL being unable to meet the schedule of loan repayments. There is no indication, as yet, that QMIL will not be able to do so.

30 Surplus on Continuing Operations for the Period

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

	Year ended 31 July 2007
	<u>£000</u>
College's deficit for the period before Gift Aid and gain on sales of fixed assets	(77)
Surplus on sale of tangible assets	2,022
Gift Aid receivable from subsidiary undertakings	<u>—</u>
	1,945
Deficit retained by subsidiary undertakings after Gift Aid payments	(695)
Elimination of gains on intra-group transactions on consolidation	<u>(314)</u>
Total	<u><u>936</u></u>

COUNCIL MEMBERSHIP 2006-07

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

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

	<i>Tenure ends or ended</i>
Mr J M St J Harris, MA(Oxon)	31 August 2007
Mr P J Harris	31 August 2009
Mr A Walker	31 August 2009
Dr C Bowe, MSc, PhD	31 August 2008
Dr A M Jolles, BA, PhD, LL.M	31 August 2007
Mr C J Perrin, CBE, MA(Oxon), Barrister, Hon MRCP	31 August 2012

ELECTED MEMBERS [STAFF]

Professor R Corder, BSc, MSc, PhD, MRPharmS	31 August 2007
Professor H Navsaria, PhD	31 August 2009
Professor T T MacDonald, BSc, PhD (Glasgow), MRCPPath, FRCPath, FMedSci	31 August 2009
Professor E Welch, BA (Harvard), PhD (Lond)	31 August 2009
Professor C M Reed, BA(Keele), LL.M	31 August 2007
Mr J Rowson, BSc(UMIST), MSc(Essex)	31 August 2008
Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys	31 August 2007

ELECTED MEMBER [STUDENT]

Ms K Wall	31 August 2007
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ELECTED MEMBER [ACADEMIC RELATED STAFF]

Dr E C Smith, BSc, PhD, ACMA	31 August 2007
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ELECTED MEMBER [NON-ACADEMIC STAFF]

Vacancy

CO-OPTED MEMBERS

Mr A B Gibbins, MA(Oxon), FCA	13 December 2009
Mr F V McClure, BA	31 August 2008
Mr D Sizer	31 August 2009
Mr A Ullah	31 August 2008
Vacancy	
<i>From December 2006</i>	
Ms M Elford	12 December 2011
Ms E Hall	12 December 2011
Sir David Kitchin	12 December 2011
Mr D Thomas	12 December 2011
Mr P Wolton	12 December 2011

AUDIT COMMITTEE MEMBERSHIP 2006-07

CHAIRMAN (an external member of Council)	Mr A B Gibbins, MA(Oxon), FCA
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ONE OTHER EXTERNAL MEMBER OF COUNCIL

Mr F V McClure, BA (until December 2006)
Mr D Thomas (from December 2006)

TWO ACADEMIC MEMBERS OF COUNCIL

Professor R Corder, BSc, MSc, PhD, MRPharmS
Professor G Thompson, BSc, PhD, DIC, ARCS, CPhys