

Queen Mary University of London Financial Statements 2017/2018



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Report by the President and Principal

The Academic Year 2017/18 was my first as President and Principal of Queen Mary University of London. I am immensely proud to be part of this great university and of the progress and achievements that our staff and students registered once again during the year.

Our pride in being part of Queen Mary stems from the unique nature of this institution. We have a very diverse student body, with over 60% of our students from BAME backgrounds, over 40% being the first in their families to attend university, and over 25% coming from households where the taxable income is under £10,000 per annum. We are proud to widen access to high quality university education to talented students, regardless of background. Our research profile is truly world leading, being placed fifth in the UK for the quality of our research outputs according to the last Research Assessment Framework (REF) exercise. Alongside these aspects, we lead the way in public engagement, being the first university to be awarded a Gold Watermark by the National Coordinating Centre for Public Engagement for our work in this area. It is the combination of these elements that allows us to deliver major benefits for society and the economy, and I am confident that you will not find another university with these three profiles in combination anywhere else in the world.

Our activity this year has been against the backdrop of another challenging year for the sector. There are a range of external factors that we must respond to, ranging from visa and immigration policy through to the public's perception of the sector. Some issues, such as Brexit, are particularly difficult to respond to when the likely direction of travel is so hard to determine. This has also been a difficult year in terms of industrial relations, with significant strike action taking place during the spring across many universities, including Queen Mary. I appreciate the depth of feeling amongst staff on the issue of the USS Pension Scheme and we are working to secure the best outcome for all members of the Queen Mary community. The strikes also highlighted the wider sense of unease amongst colleagues about the changing nature of the sector. I share many of these concerns and will continue to work with colleagues both within and outside Queen Mary to protect those characteristics that define our universities and have made them such powerful engines of social and economic development.

Our staff have worked incredibly hard again this year to keep Queen Mary at the forefront of the sector, in spite of external challenges. Our research continues to be of a very high quality, with significant impacts on society, culture, health, the environment and the economy. As an example of the calibre of work being undertaken, research by our academics in the field of medicine was ranked as the fourth most highly cited in the world by the QS league tables. This is an incredible achievement and high levels of quality are replicated across the discipline spectrum at Queen Mary. While we are proud of these achievements, we want to be more successful in attracting funding to support and grow this research activity. We will also continue our efforts to present and promote the University in a

more coherent and effective way, so that we are better known for our very high academic standards.

Our student recruitment in 2017/18 was strong, with the student population standing at 23,792¹, spread across undergraduate (75% of the total) and postgraduate (25%) cohorts. Overall, student numbers increased by nearly 10% compared to 2016/17, which reflects well on the attractiveness of a Queen Mary education. We are determined to ensure that all our students receive an excellent all-round experience when they are with us and we have been working to galvanise and accelerate our important work in this area. We are focusing on key issues that are of fundamental importance to us, such as enhancing student support, improving the proportion of students that continue with their studies, and boosting the ability of our students to access employment opportunities that match their talents. There has been significant collaboration with the Students' Union on the project, underpinning an approach to co-create an inclusive and world-class education at Queen Mary.

All our activity is underpinned by engagement, be it at the local, regional, national or global level. We are a proudly international institution, and benefit hugely from the diversity of our staff and students and the breadth of perspectives and traditions that this brings to our work. We now teach over 3,500 undergraduate students overseas, predominately through our three major partnerships with leading universities in China. These activities have been augmented by the launch of the new MBBS programme in Malta. Our local engagement is a core part of our ethos and history and is integral to some of our major research projects, such as our work with the South Asian communities in east London to analyse DNA and e-health records to support research into a range of diseases and treatments.

A strong financial position does not represent an end in itself but instead is a requisite for delivering on our ambitions and ensuring that we have resilience in challenging times. Colleagues have worked hard over the year to increase our level of cash generation, recognising the importance of ensuring that we can invest at the required level in support of our staff and students. This includes funding for the maintenance and renewal of our buildings, infrastructure and equipment. We will also look to invest in new initiatives that will help support the delivery of our academic ambitions, where these are financially sound, aligned with our values and help to support excellence across the range of our activities.

Professor Colin Bailey, President and Principal
November 2018

¹ Student numbers are based on Full-Time Equivalent population for all levels and modes of study as at 1 December 2017, with comparisons based on the equivalent data as at 1 December 2016. Undergraduate numbers include students being taught on Joint Programmes in China.

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Charitable status and public benefit

Queen Mary University of London is an exempt charity regulated by the Office for Students (OfS). In determining Queen Mary's strategic direction, and ensuring the effective management and control of Queen Mary's affairs, property and finances, the members of our governing body, as trustees, have due regard to the Charity Commission's guidance on public benefit.

Public benefit

Queen Mary was established through the Queen Mary and Westfield College Act and the granting of a Royal Charter '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 Queen Mary 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 2011, therefore underpins our Purpose and Values.

Queen Mary is widely recognised as a leading research-intensive university, both in the UK and globally. We are a member of the Russell Group and one of the larger constituent colleges of the University of London. One of our defining characteristics is that we are equally committed to the achievement of the highest international standards in education and research, and to the service of our local communities through public engagement and the promotion of opportunity to individuals less favoured by financial or social background.

Public benefit is embedded in our strategic aims and objectives, and reporting of progress towards achieving these is contained in the Strategic Review. The primary beneficiaries are current and potential students of Queen Mary and members of the general public who benefit from Queen Mary's research and engagement activities.

Access to world class learning

Queen Mary is committed to maintaining its proud tradition of nurturing the brightest and best talents, regardless of background. In 2017/18 we committed 30% of the additional fee income raised from tuition fees above the basic fee level to support additional outreach and retention measures.

Queen Mary provides a generous package of bursaries and scholarships, including the Queen Mary University of London Bursary which supports undergraduate students from low income households; and a range of Excellence Scholarships. In 2017/18, 5215 students were awarded a Queen Mary Bursary worth £7,724,401, 53 students received Science and Engineering Excellence Scholarships worth £157,500 and 21 students received Economics and Finance Excellence Scholarships worth £63,000. In addition, a Hardship fund exists to provide assistance for students who need extra financial support to remain in higher education and provision was made

within this allocation to address issues arising from changes to the Disabled Students' Allowance.

We have an excellent record in attracting talented students from a wide range of social backgrounds. Over 90% of our home students come from comprehensive schools, 60% are BAME and 42% are the first in their family to attend higher education. These statistics place us very high in the Russell Group for our ability to attract students from all backgrounds.

Working in partnership with schools

Queen Mary is involved in a number of innovative partnerships with independent state-maintained schools in the local boroughs of Havering and Tower Hamlets, helping to improve standards of education and inspiring young people to fulfil their potential.

Queen Mary is the lead sponsor for the University Schools Trust, East London, and co-sponsors the Drapers' Multi-Academy Trust (MAT) with the Drapers' Company, a leading City Livery Company with which Queen Mary has a long-standing partnership.

Partnership with these schools has enabled Queen Mary to make major contributions to educational attainment and aspiration in the London Boroughs of Havering and Tower Hamlets, which experience high levels of unemployment and poor progression to further and higher education, as well as providing invaluable development opportunities for our staff and students. Our academics are involved in curriculum development, our students volunteer in local schools and are given mentoring and tutoring opportunities. In addition, many Queen Mary staff are school governors.

Wider outreach

Queen Mary is committed to raising awareness of the benefits of higher education through its extensive range of outreach activities. Staff in the central Widening Participation team and colleagues across the University work with young people, from 10-18 years old, from under-represented groups that are statistically less likely to consider higher education. Our work focuses on dispelling assumptions, building aspirations and providing insight and first-hand experience of university, helping students to make informed choices about higher education, and delivering a range of programmes both in-school and at Queen Mary. Activities include campus visit days, subject specific summer schools, and mentoring and shadowing schemes. In addition, we deliver long term programmes working with the same young people over sustained periods of time, such as our work with the Sutton Trust on Pathways to Coding and Pathways to Law, and the Bridge the Gap programme which aims to increase children's awareness of medicine and dentistry as a career pathway and support them on their journey towards these professions.

Charitable status and public benefit (continued)

The Centre of the Cell in Whitechapel is an educational resource 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 group. Since opening in 2009, the Centre has welcomed over 100,000 visitors from all over the world and over one million visits to their website. However, it remains deeply rooted within its diverse local communities, with around 50 per cent of all school participants coming from a ten-mile radius of Whitechapel, with 81 per cent of Tower Hamlets primary schools and 100 per cent of Tower Hamlets secondary schools having taken part in their activities.

Student experience

We offer students a stimulating, supportive and high-quality learning experience, with teaching inspired by our world-leading research.

Our current Student Experience, Learning, Teaching and Assessment (SETLA) strategy is in the process of being re-written in tandem with the new university strategy. Our new education strategy will focus on co-creating an outstanding, all-inclusive education which is enhanced by the richness of our diverse student population. We will be working in tandem with our Students' Union to ensure we deliver an excellent student experience in all areas of learning. To support students in their future careers we offer students a wide variety of careers development activities and structured schemes. One such scheme is QConsult, which gives students from low income backgrounds client-focused work experience through consultancy projects. QConsult won the Employability Initiative in the Guardian University Awards in 2016.

The award-winning Queen Mary Legal Advice Centre (LAC), opened by its Patron, Lord Goldsmith, in 2006 provides a free, accessible, client centred advice service to the public and on a range of legal areas including housing, immigration, family, employment, data protection and corporate law. It is staffed by volunteer law students advised and supported by more than 150 solicitors. Acting as a first-tier advice agency and attracting clients from a wide variety of backgrounds and presenting a wide range of legal issues, it provides our students with the opportunity to experience law in a practical context and to develop many of the skills required for successful entry into the profession.

Research and impact

Queen Mary University of London is one of the foremost research-intensive universities in the UK. The most recent national assessment of UK research – the Research Excellence Framework (REF 2014) – confirmed our place. Overall we were ranked 9th among multi-faculty universities and 5th for

the percentage of our international and world class research outputs. Queen Mary has made a strategic commitment to the highest quality of research. We have invested in this principle by systematically recruiting the best academics in their disciplines from around the world. We are focused on ensuring that our research-active staff are provided with the environment to undertake knowledge creation at a level that is commensurate with the University's ambitions and expectations as a ground-breaking, research-led University.

Queen Mary researchers make major contributions in a wide range of disciplines including cancer and cardiovascular studies; intellectual property law; equality, inequalities and diversity; nanomaterials; and astronomy. Queen Mary has many internationally influential researchers and in 2017/18 the following were amongst those honoured for their work: Professor Hagit Borer, Department of Linguistics, Professor Richard Bourke, School of History, and Professor Catherine Nash, School of Geography have been elected into the prestigious Fellowship of the British Academy for the humanities and social sciences; the International Association for Dental Research (IADR) announced Cynthia Pine from Queen Mary's Institute of Dentistry, as the 2018 recipient of the IADR E.W. Borrow Memorial Award which recognises research in oral health prevention for children; Dr Renato Faccini, from Queen Mary's School of Economics and Finance, who specialises in the formation of business relationships over time has been awarded the George fellowship from the Bank of England; two Queen Mary academics were awarded a British Academy Postdoctoral Fellowship: Dr Claudia Soares from the School of Geography for her work exploring children's social and emotional experiences of institutional care in Britain, Australia and Canada and Dr Chris Moffat from the School of History for his research on Pakistan; Professor Magdalena Titirici, who works in the School of Engineering and Materials Science, is the Royal Society of Chemistry Corday-Morgan Prize winner for 2018; and Professors Mark Caulfield, Jack Cuzick, Panos Deloukas and Patricia Munroe from Queen Mary's School of Medicine and Dentistry were announced as some of the most influential researchers in the world, based on how widely their research had been cited in other people's publications.

We have a distinctive and diverse student profile and an international reputation for the quality of our public and community engagement activities. Queen Mary is proud of its heritage and remains committed to its roots in both the local area and local community. This is exemplified through much of its research, including the East London Genes & Health project, a unique long-term study of 100,000 local volunteers of Bangladeshi and Pakistani origin that links genes with health records, to study disease and treatments and the Airway Cells and Air Pollution (ACAP) study investigating the impact of air pollution on immune cells within children's lungs by combining research with school workshops.

Charitable status and public benefit (continued)

Working with and for our communities

The University has embedded public engagement within its research and learning activities and is committed to creating and disseminating our research in interesting and innovative ways. The following are a small selection of Queen Mary research and education projects involving the community:

Digesting Science is a set of educational activities that teach children aged 6-12 years old with a parent with Multiple Sclerosis about the science behind the chronic disease. The Barts MS team have been running Digesting Science events in and around London since 2013, communicating their research through practical activities involving plasticine, food modelling and games to their patients and their families.

Physics Research in Schools allows school students to experience and contribute to current Physics research through collaborative projects with Queen Mary, culminating in student conference presentations. Running over two years the project has worked with 14–18 year old students at five schools in London from a range of areas and backgrounds.

BCI STARS (Science Training for Aspiring Research Scientists) was developed to offer year 12 students from widening participation schools a week-long laboratory-based experience which includes the opportunity to perform experiments in tissue culture, biochemistry and molecular biology with Queen Mary PhD students.

'Teenage Bedrooms: like a house inside of a house' is an exhibition at the Geffrye Museum of the Home, which brings together images, objects, testimony and an installation to explore the themes of the teenage bedroom and its material culture. The teenagers engaged in the research were involved throughout, from selecting the items on display and in recreating their rooms' wall collages, to attending the exhibition launch with their friends.

Our rich culture of engaging the community in our research ensures two-way conversations are had and meaningful partnerships are formed. These lead to benefits for all sides, both enriching the quality of our research and involving those that will be affected by the results to help shape research questions and processes.



Strategic review

Operating Review

Queen Mary's five-year Strategy, which was adopted in 2014/15 following extensive consultation with staff, sets out an appropriately ambitious set of objectives and linked targets (KPIs) for our institution across the full range of activities that would be expected of a leading university. The objectives are allocated across six broad Strategic Aims and the following sections identify key aspects of our performance during 2017/18 from each of these areas, as well as identifying relevant additional risks, key challenges and also opportunities as we look forward. It includes an overview of the work we are undertaking to meet our objectives and offset risks. Data and rankings that are quoted are linked to the targets contained in the strategy.

The University is currently developing a new strategy during the 2018/19 Academic Year. This will look to build on our successes over the course of the current strategy document and preserve the unique nature of our University, while addressing areas of required improvement and also external challenge. This process will address many of the areas and issues highlighted in the sections below.

Strategic Aim 1 - People

We are immensely proud of the diversity of the Queen Mary community. As noted in the President and Principal's report we have a student community that draws from a wide range of social and cultural backgrounds, to a greater extent than many other research intensive universities.

Our students are at the centre of our community and we aim to increase the opportunities for students from diverse backgrounds to benefit from an education at Queen Mary. We have the second highest proportion of students from a state school background in the Russell Group, and exceed our location-adjusted benchmark for this measure (which is the target contained in our strategy). In addition, the proportion of our students that come from the most disadvantaged social backgrounds (as defined by the ONS) has increased for each year of the strategy, rising from 33% in 2011/12 to 43% by 2016/17. These targets were included in our strategy to ensure that we continued to deliver on our key objective of widening access to those with outstanding potential regardless of background, and we are pleased that we have accelerated this trend over recent years.

In overall terms, our student population for 2017/18 (FTE as of 1 December 2017) was 23,792, an increase of nearly 10% on the previous year. Undergraduate numbers increased by 6%, while postgraduate taught numbers increased by 30%. The latter figure was mainly driven by an increase in overseas students enrolling onto our masters programmes in disciplines such as economics, finance, business and law. These increases represent a significant achievement by our

staff, given the various external challenges that are impacting on student recruitment across the sector, and it reflects well on the attractiveness of a Queen Mary education. We are working to address risks to future recruitment rounds posed by issues such as visa and immigration policies, and also Brexit in terms of future EU student recruitment.

It is important that such increases in student numbers are matched by plans to ensure that our students have a productive and enriching experience while at our university. We recognise that a failure to deliver a good student experience is one of our key strategic risks (and will be for most higher education institutions). We have been working to galvanise and accelerate our important work in this area and further details are provided in the section relating to Strategic Aim 3.

We rely on the excellence and dedication of our highly diverse staff community to educate and support our students, to conduct our research, and to drive innovation, impact and public engagement. We will look to support our staff across a range of areas, including through a focus on our equality, diversity and inclusion activities. The strategy contained a target for the University to achieve an Athena Swan Silver Award, which was secured in 2017. We are proud of this achievement, but recognise that there can be no complacency in this area and that we have much work to undertake in order to ensure that we provide an inclusive environment and experience for our staff and students. We have now appointed a Senior Academic Lead for Equality and Diversity, who will be a focal point for driving forward our activity.

Brexit also presents risks and challenges in terms of staff retention and recruitment. We have been providing legal support to our staff, to help them understand and navigate issues connected with their status. The University is also covering the costs to the individual of certain types of staff visa applications. In addition, we have been exploring opportunities to participate in pilots for the registration of non-UK EU nationals. Generally, we continue to emphasise at every opportunity the great value we place on the diversity of our staff and student community and the huge benefits that come from the range of views, perspectives and traditions that this brings.

Alongside our students and staff, our alumni are another key component of the Queen Mary community and make significant contributions to supporting our academic work and the development and progress of our students. The proportion of alumni engaged in providing support to the achievement of our objectives has remained static after several years of increases. We now have new leadership in place to oversee our alumni and development activities after a period of interim arrangements, and have confidence that the previous increases in this measure will resume, although a significant uplift is required to achieve our strategy target of 80 alumni engaged per 10,000 recorded members of the alumni community.

Strategic review (continued)

Strategic Aim 2 - Research

The quality of Queen Mary's research work is outstanding. This is reflected in the frequency with which the work by our staff is referenced by academics from other universities. This is illustrated by the latest THE World Rankings placing Queen Mary at 34th in the world on this measure. This reinforces our status as a leading research university, which has been firmly established following two outstanding results in the Research Excellence Framework exercises, with the most recent in 2014 placing us 9th in the UK amongst multi-faculty institutions for research quality. This achievement and our continued strength in terms of our research outputs is testament to the hard work and talents of our academics, and of colleagues in Professional Services functions who support them.

Our overall standing in the THE world rankings has declined slightly, although this is balanced by a slight increase in our position in the QS world rankings (up to 119th, from 127th). Our strategy target of top 75 in both tables was deliberately ambitious and most UK universities have had fluctuating outcomes in these tables in recent years. While the objective measures that underpin these international rankings are very strong for Queen Mary, we have been aware for some time that our reputation (which has a major influence on the rankings) lags behind these objective measures of our excellence. We continue to work to address this and focused on developing a more unified and co-ordinated approach to institutional branding during 2018/19.

A challenge for the University is in ensuring that we secure more external funding to support and expand our world-leading research. Our success in research grant applications lags behind the Russell Group median (which is our strategy target), and we recognise that we must be more agile and better organised in order to secure funding opportunities, from smaller grants through to larger funding and collaborative mechanisms. In respect of the latter, we were delighted to become members of the Alan Turing Institute for data science and artificial intelligence during 2017/18.

Participation in the Turing Institute will help to promote interactions with industry, which is a key objective for the University. Our research income derived from industry collaborations increased in 2017/18 and is above the Russell Group median, and we are on track to meet our strategy target of doubling income from this source over the strategy period. However, we feel there is much more scope for partnership working in this area, aligned with the government's Industrial Strategy. We have been making adjustments to our internal structures to better support our industry engagement.

Performance in the next REF exercise in 2021 is a key strategic opportunity as well as risk, and we are working on our preparations to ensure that we are as well placed as possible to repeat the excellent outcome achieved in 2014. Brexit also presents a risk to our research agenda. Queen Mary and the UK generally has been extremely successful in accessing EU grants

and there is uncertainty about how we might access future funding streams. We are working to strengthen our partnerships in Europe ahead of Brexit, to ensure that we have a strong basis for future collaborations. We are also encouraging staff to continue to apply for EU research grants, on the basis that these will be underwritten by the UK Government.

Strategic Aim 3 - Education

As noted under Strategic Aim 1, we are looking to galvanise and accelerate our important work in this area. This will include a focus on key issues that are of fundamental importance to us, such as enhancing student support, improving the proportion of students that continue with their studies, and boosting the ability of our students to access employment opportunities that match their talents. There has been significant collaboration with the Students' Union on the project, underpinning an approach to co-create an inclusive and world-class education at Queen Mary.

We recognise that currently we compare unfavourably with the Russell Group median in terms of the number of first year students who do not continue into their second year of study and we must do more to enable our students to progress successfully through their studies. We also want our graduates to secure employment and have an impact on society that is commensurate with their talents and ambitions. The latest data show a slight increase (to 91.5%) in the proportion of our graduates in employment or further study six months after finishing their undergraduate programmes. The proportion who are in highly skilled employment or further study increased by over 5% to 78.7%. These trends are welcome and we will continue to prioritise this area, in pursuit of our strategy target of meeting the Russell Group median on these measures.

Student satisfaction surveys are an important measure of how our students view their experience at Queen Mary. The latest National Student Survey results recorded an overall satisfaction level of 81%, which placed us seventh out of the 23 Higher Education Providers in London that met the publication threshold. Improving satisfaction levels across all elements of the student education experience will remain a focus for attention.

The physical environment that we provide is an important aspect of this experience that students have while studying with us. Our strategy therefore includes targets such as ensuring that 95% of our teaching rooms meet the standards developed via focus groups consisting of members of staff and the student community. The audit in 2017/18 showed 87% of rooms meeting the standard, which maintains the proportion achieved in 2016/17, against the backdrop of an increase in the overall number of teaching rooms. There is a particular focus in the strategy and associated target on increasing informal study spaces for our students. The provision of this space on a per student basis has declined through the strategy period, but there has been an emphasis on small-scale estates interventions over summer 2018 to re-purpose a range

Strategic review (continued)

of under-utilised spaces. We would therefore look to see an improvement in this measure when it is assessed in 2018/19.

We are also looking to expand our delivery via other modes, in order to increase the number of students benefitting from our education, without necessarily adding to the pressure on our estate. As part of this, in 2016/17 we completed an agreement with an external partner to support us in expanding our online learning provision. The first programmes under this new initiative were launched in 2017/18, and the number of students enrolled in online learning increased by 16%, so that we have achieved our strategy target of a 100% increase over the strategy period. However our provision in absolute terms is still relatively low and as part of the development of our new strategy we will be investigating the infrastructure and other requirements necessary to support major expansion in online learning.

Strategic Aim 4 - International

We are proud to be a highly international organisation, with staff and students from over 160 nationalities. We were pleased to record a very significant increase of 19% in the number of international students studying with us in London in 2017/18, compared to the previous year. This is in addition to the continued success of our transnational education activities, based primarily on our three joint programmes with our partners in China. These programmes, which are taught jointly by academics from Queen Mary and our partner institutions, recruit very high quality students, such is the demand generated by the prospect of holding degrees from both a leading UK and a leading Chinese university. Accordingly, the headcount of students (including part-time) we teach overseas, through the China programmes and other initiatives, had reached 4,691, up by 20% on the previous year. We are on track to achieve our strategy target of 5,000 students studying offshore on a Queen Mary programme by 2018/19.

As well as increasing the opportunities for overseas students to benefit from a Queen Mary education, we have also focused on increasing the opportunities for our London-based students to benefit from working or studying abroad. We have included an optional study-abroad year for most of our undergraduate programmes, which is proving to be very attractive to applicants. The number of students spending time abroad in 2017/18 was up 17% on the previous year and almost a third since the start of the strategy, which while encouraging will likely leave us short of our target of doubling such numbers by the end of the strategy period.

A range of factors provide a challenge to our international ambitions, including Brexit, the prevailing visa and immigration policy, and the perception of the UK as a less welcoming destination for overseas students. We continue to emphasise at every opportunity the great value we place on the diversity of our staff and student community and the huge benefits that come from the range of views, perspectives and traditions that

this brings. The development of a Global Engagement Strategy for the University will underpin and guide our work in this area and look to mitigate associated risks.

Strategic Aim 5 - Impact and Public Engagement

Our national leadership in the field of public engagement was confirmed by our award of a National Coordinating Centre for Public Engagement Gold 'Watermark', in recognition of the embedded nature of the approach at Queen Mary and the centrality of engagement to our academic endeavour. This was a strategy target and we are now focusing on how we can further strengthen our work in this area, with a view to achieving a Platinum Watermark award over the course of the next strategy period.

Further to our aim to develop the social capital of our students, the strategy contained a target to increase the number of students accessing entrepreneur support services by 100% by 2018/19. We have already exceeded this target and continue to expand the reach of these services, with the number of students accessing support increasing by 25% in 2017/18 compared to the previous year. We will continue to look for external partners to help with our work in this area.

Strategic Aim 6 - Financial Strength

We recognise that an important measure of our resilience and ability to invest is the level of cash generation we achieve each year. The net cash inflow from operating activities increased in 2017/18 by 22% compared to the previous year, allowing us to accelerate much-needed investment into our estate and our infrastructure (notably into systems and research equipment), and to allow us to take forward key initiatives.

In the absence of a significant endowment, the strategy commits the institution to achieving increased income from philanthropic sources. Although there has been an increase in such income from all sources of over 50% between 2012/13 and 2017/18, we saw a slight decrease over the past year (from £12.3m to £11.9m). As noted earlier, we now have new leadership in place to oversee our alumni and development activities, which should lead to renewed increases in this area. Our strategy target is to achieve an annual income from these sources of £12m by 2018/19.

Work to enhance our financial resilience is particularly important given the risks to the sector's financial position. The outcomes of the government's review of post-18 funding could pose challenges to the sector, and this would be in addition to cost pressures associated with likely increases in pension contributions and potential risks to income associated with issues such as Brexit, as already outlined. We will work across the university to address these challenges, confident that we can adapt accordingly and also recognising that the many strengths of Queen Mary make us well placed to continue to succeed as a unique university.

Strategic review (continued)

Financial Review

The surplus for the year was £12.7m (2017: £18.1m), and generated a net cash inflow from operating activities of £44.3m. The University invested £42.8m in new fixed assets and software and received a total of £11.0m (2017: £17.8m) in specific capital grants. Closing cash was £20.9m, with £7m of revolving credit facility repaid in the year.

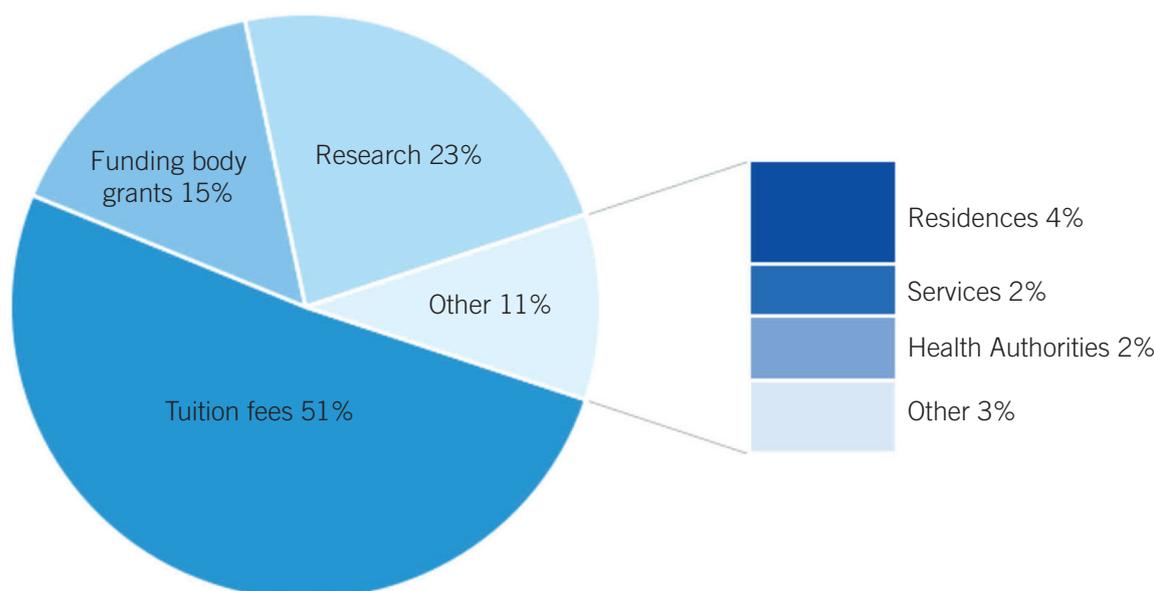
	2018 £'millions	2017 £'millions	Change %	
Financial Headlines				
Total Income	461.9	430.1	7.4%	
Total Expenditure (including taxation and other gains/losses in the year)	449.2	412.0	9.0%	
Surplus for the Year	12.7	18.1	-29.7%	
Purchase of Intangible & Fixed Assets	42.8	39.4	8.7%	
Cash and Cash Equivalents	20.9	18.1	15.8%	
Borrowings	91.5	100.4	-8.8%	
Income				
Funding Body Grants	71.5	68.2	4.9%	
Full-time Home and EU Students	120.1	112.5	6.8%	
Full-time International Students	100.4	82.0	22.4%	
Research Grants and Contracts	107.0	108.5	-1.3%	
Non-Financial Headlines				
	Numbers	Numbers	Change %	Percentage of total 2018
Staff Numbers (Full-time equivalent)	4,074	3,854	7.1%	
Student Numbers (Full-time equivalent)	23,792	21,700	9.6%	100%
Level:				
Undergraduate	17,937	16,860	6.4%	75.4%
Postgraduate	5,569	4,525	23.1%	23.4%
Associate	286	315	-9.2%	1.2%
From:				
Home (UK and EU)	14,448	13,764	5.0%	60.7%
Overseas (International)	9,344	7,936	17.7%	39.3%
Based:				
Queen Mary (London)	19,432	18,018	7.8%	81.7%
Overseas (incl. China)	4,019	3,373	19.2%	16.9%
Distance Learning	341	309	10.4%	1.4%

Strategic review (continued)

Income

Income grew by 7.4% to £461.9m, driven by growth in tuition fee income which represented 51.1% of total income for the year.

Sources of income 2017/18



Tuition fee income grew by 13.6% compared to 2016/17 reflecting a 9.6% increase in student numbers, and increases in non-regulated fees. Growth was achieved from both Home/EU (+6.8%) and International students (+22.4%). Full-time home and EU tuition fees represent 50.9% of total tuition fees, whilst full-time international tuition fees account for 42.5%. Income from international students increased by £18.4m as a result of an increase of 17.7% in number of overseas students, with particularly strong recruitment of international postgraduate students.

2017/18 saw further growth in the number of undergraduates studying on joint degree programmes in China. Our new partnership with Northwestern Polytechnical University welcomed its first student cohort, as part of the total of 3,929 students on our joint programmes, up 17.9% from 3,332 in 2016/17.

Funding Body grants increased by 4.9% which included £3.2m of Catalyst Capital Funding in respect of the East London Genes and Health Centre.

Research grant and contract income fell slightly by 1.3% to £107.0m in 2017/18 due to a decrease in capital research grants. In 2016/17, we recognised £10.8m to fund our Genomics England project aimed at new discoveries in the

understanding and treatment of cancer and rare diseases. Excluding capital grants, research income grew by 10.7% to £104.9m (2016/17 £94.8m).

Other Income which includes residences, catering and services to the NHS, increased by 4.3% to £45.4m. Investment Income at £0.5m and Donations at £1.4m are broadly similar to the prior year.

Operating Expenditure

Total expenditure (including taxation and other gain/losses in the year) increased by 9.0% to £449.2m. Staff costs were 57% of total expenditure, and increased by 7.4% compared to the previous year, including the impact of inflationary and incremental pay increases, and the increase in staff numbers.

Other Operating Costs increased by £19.5m (14.5%) to £153.9m. The University joined the Turing Institute in April 2018 and has recognised in full a £5.0m grant which will be paid over five years.

Depreciation charges in the year increased slightly to £34.4m (2016: £33.7m).

Interest charges decreased slightly by 4.8% to £3.5m reflecting the lower average borrowings during the year.

Strategic review (continued)

Fixed Assets and Intangible Assets

The University continues to invest in improvements to its estates and IT infrastructure. Total capital expenditure of £42.8m included the following major project spend:

1. Engineering Building £10.9m as part of a £31.8m project, due to complete in December 2018. The forecast spend to completion is £4.8m.
2. Mathematics Building £4.5m as part of an £18m project to transform the Mathematical Sciences building including a complete internal refurbishment and an extension. The project is due to complete in May 2019. The forecast spend to completion is £11.6m.
3. Joseph Priestley Building £1.9m as part of a £4.9m project, due to complete in October 2018. The forecast spend to completion is £2.9m.
4. Abernethy Building £1.8m as part of a £5.5m project, due to complete in December 2018. The forecast spend to completion is £3.5m.
5. IT infrastructure £2.7m investment.

Cash and Loans

Cash balances are actively managed in conjunction with our Revolving Credit Facilities to balance operating cash requirements, whilst minimising borrowings. Cash held at 31 July 2018 of £20.9m was in line with the previous year (2017: £18.1m).

Queen Mary has revolving credit facilities of £125m of which £21m was utilised at 31 July 2018 (31 July 2017: £28m).

Pensions

The main pension schemes in which the University participates are USS, SAUL and the NHS pension scheme. Employer contributions for both USS and SAUL schemes remained unchanged in 2017/18 (USS 18%, SAUL 16% and NHS 14.4%). Total employer pension contributions in the year were £30.3m (2017: £28.7m).

In the absence of agreement to the 2017 triennial valuation, USS announced cost sharing arrangements which will result in the phased implementation of increased contribution levels for both employees and employer, starting in April 2019. The actuarial valuation of the SAUL scheme as at 31 March 2017 was completed and SAUL was found to be fully funded on its Technical Provisions basis so no deficit contributions were required.

Investments

Investments of £34.1m (2017: £34.3m) are held on behalf of endowed and restricted funds in a managed investment portfolio and in cash. These holdings are split in the accounts between non-current investments £22.5m (2017: £23.7m); current investments £11.4m (2017: £10.0m); and cash £0.2m (2017: £0.6m). During the year the value of the portfolio increased by £0.8m.

Other non-current investments comprise listed and unlisted shareholdings in companies valued at £9.8m (2017: £10.9m).

Financial Outlook

The University continues to operate in a challenging environment but is ensuring financial sustainability by continuing to plan to generate sufficient cash surpluses to invest in staff; student experience and infrastructure and building resilience into our future plans.

The University is proceeding with an £160m private placement to refinance and de-risk £125m of revolving credit facilities and expedite our capital programme. The current priorities are a new building for the school of business management with additional centrally timetabled teaching space and increasing infrastructure at Charterhouse Square to enable increased medical research activity.

In September 2018 a 25 year lease was signed enabling 445 of our students to occupy a new hall of residence in Stratford. This is in line with our strategy to increase the offer of affordable residential accommodation to our students which continues to be a key consideration in choice of university.

Membership of the Alan Turing Institute is anticipated to leverage increased research funding and participation in prestigious collaborative grants.

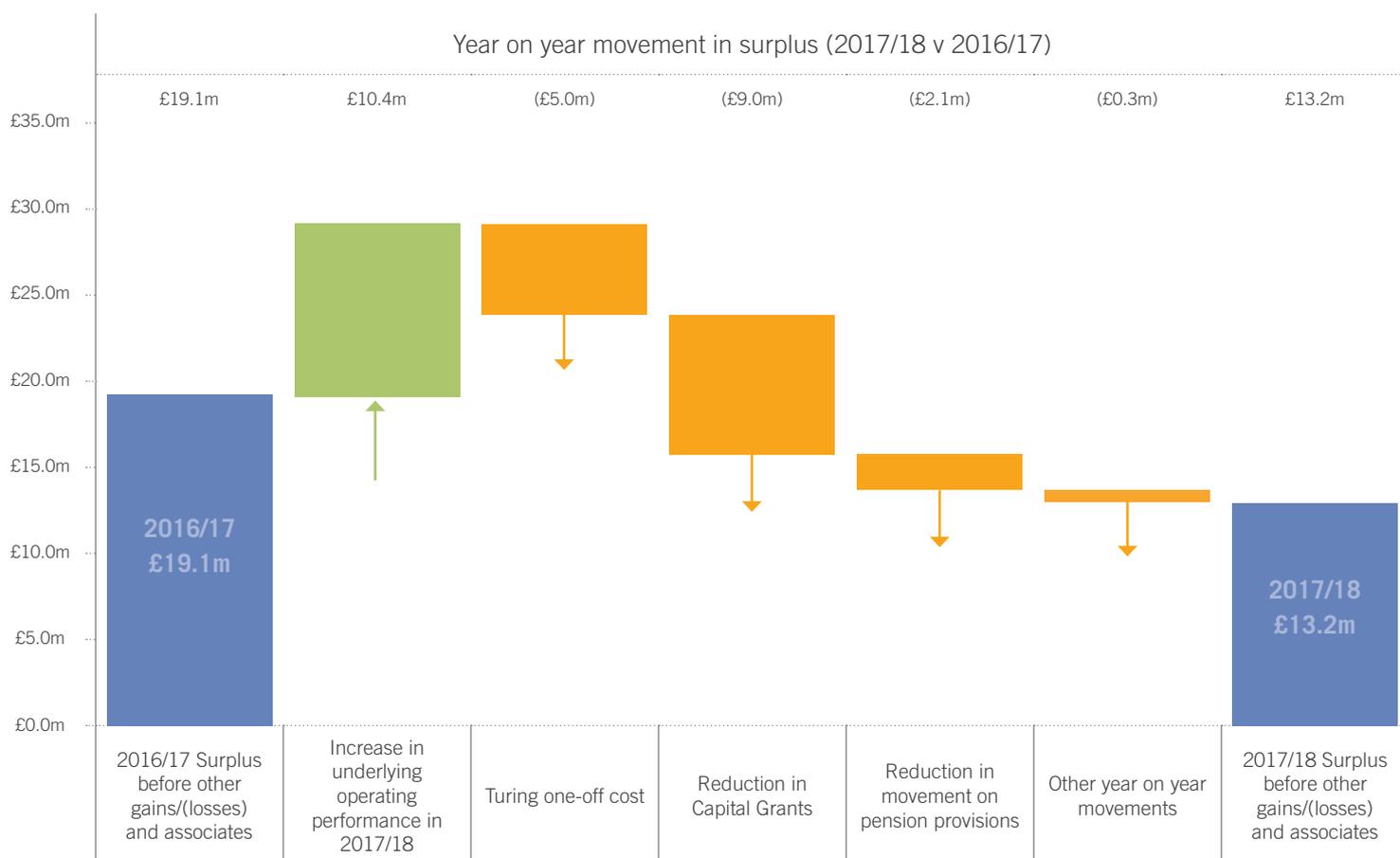
The impact of the post-18 funding review and the UK's exit from the EU are not yet known. As with all risks to our financial sustainability we regularly model scenarios of likely outcomes and plan mitigating actions.

As the 2017 USS pension valuation has not yet concluded the university's financial forecasts have been updated to incorporate the implementation of section 76.4 of the USS Pension Scheme Regulations which sees the employer contribution rate increase from 18% to 24.9% by April 2020 and the employee rate increase from 8% to 11.7% over the same period. It is anticipated that the USS Trustees will conclude the 2017 valuation on this basis. We are yet to see whether a 2018 valuation will be undertaken which may then supersede the full implementation of the required contribution rates from the 2017 valuation.

Strategic review (continued)

Despite this challenging environment in 2017/18 the University improved its underlying operating performance.

The following chart shows the key components of the reduction in surplus between 2016/17 and 2017/18 (i.e. a reduction from £19.1m to £13.2m). This shows that the underlying operating performance improved by £10.4m, however overall the surplus reduced as £9.0m less capital grant was received, £5.0m of strategic investment relating to membership of the Turing Institute and £2.4m less of non-cash adjustments primarily relating to pension liabilities were recognised.



The financial targets for 2018/19 anticipate a further improvement to underlying operating performance.

Joanne Jones, Finance Director

Strategic review (continued)

Key Risks

The key risks to the University are recorded and tracked in our risk register and are impacted by external factors such as Britain's withdrawal from the EU; UK migration controls and the Higher Education Funding Review.

The highest risks in terms of likelihood and resulting impact are:

- External environment: failure to be successful in a rapidly changing environment

Mitigating actions include:

- Scenario planning with risk mitigation plans
- Horizon scanning to Council and Audit and Risk Committees
- Increasing cash generation targets to fund investment and to build resilience
- Working closely with Ministers/Civil Servants/UUK/Russell Group to influence Government Policy

- Student Experience: failure to continue to deliver an excellent rather than good student experience

Mitigating actions include:

- the Going for Gold initiative to deliver excellence in teaching, student engagement, student employability and the learning environment

- the planned improvements to the estate

- and increased engagement with students in university decision making

- Research output: the failure to continue to produce world class research outputs as measured by the REF exercise

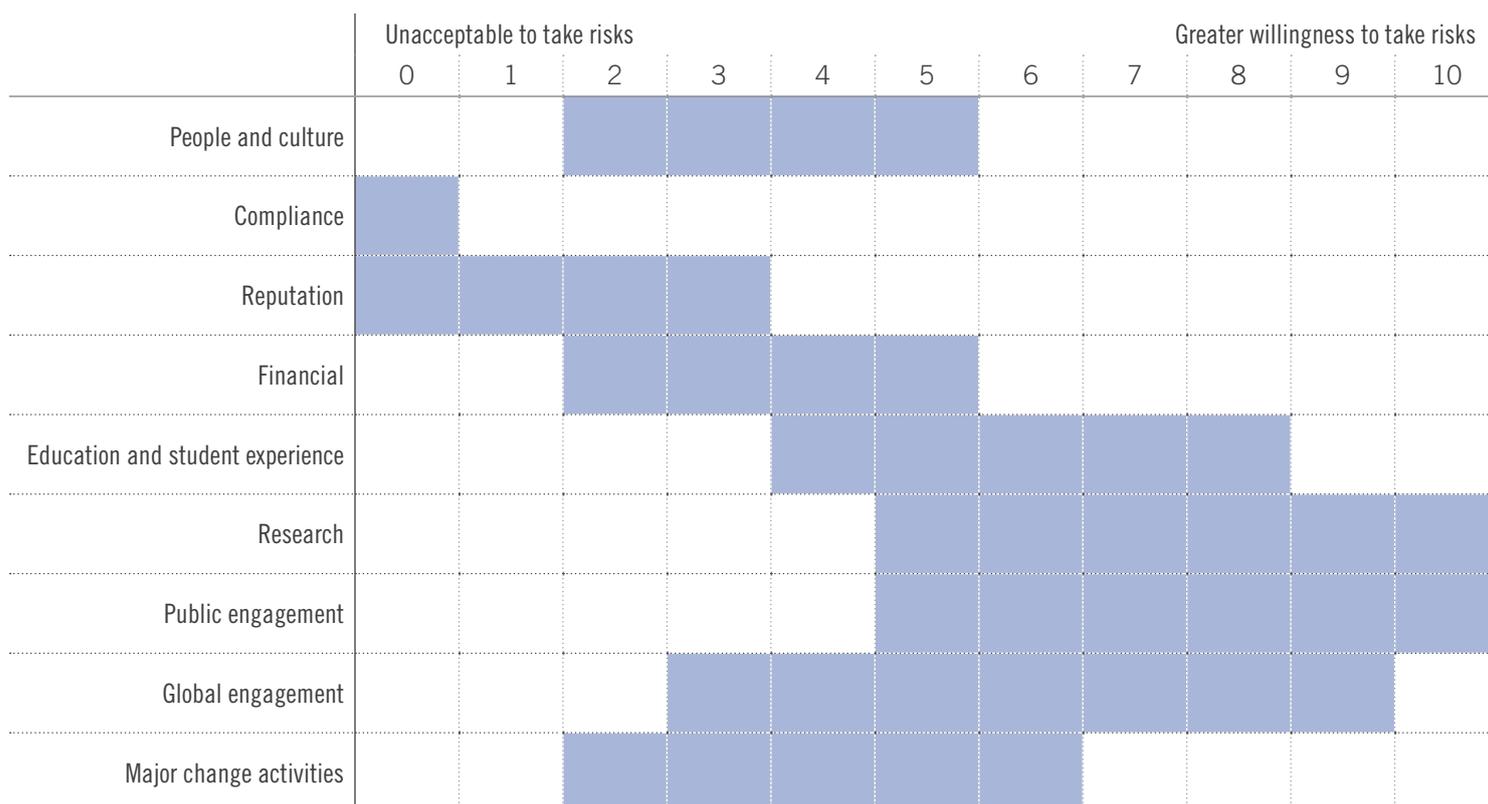
Mitigating actions include:

- Attract research excellent staff
- Improve systems and processes to support existing staff
- Increase research income
- Investment in the research infrastructure
- Support for Phd students and research training

Statement of Risk Appetite

The University's approach to risk is to eliminate compliance risk and to minimise its exposure to reputational and financial risk. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The University's appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically.



Strategic review (continued)

People and culture

The University values its staff and through the effective delivery of the new People and Organisational Development Strategy, aims to ensure that mechanisms are in place to support, develop and utilise the full potential of our staff to make the University a stimulating place to work. It places importance in fostering a culture where academic freedom, equality and diversity, dignity and respect and collegiality are embedded in all spheres of our work. Underpinning systems will include the development of staff, and the health, well-being and safety of staff, students and visitors. It has no appetite for any deviation from its values in these areas.

Compliance

The University places great importance on compliance, and social responsibility across our activities and will obey the spirit of the letter of all laws and regulations that apply to us. The University has zero tolerance for health and safety risk, which has the potential to result in injury or loss of life to our students and staff, or to visitors to our campuses. Our reputation for excellence in education and research is underpinned by the application of recognised academic, ethical and professional standards.

Reputation

It is regarded as critical that the University preserves and enhances its high reputation. The University therefore has a low tolerance for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to adverse publicity, or could lead to loss of confidence by the regulator, Government, and funders of its activities.

Financial

The University aims to maintain its long term financial viability and its overall financial strength. Whilst targets for financial achievement will be higher, the University will aim to manage its financial risk by not breaching minimum criteria relating to cash generation; liquidity and financial sustainability.

In addition we will undertake financial scenario planning in relation to major risks and action plans will be developed to mitigate loss or provide alternative solutions.

Education and Student Experience

The University wishes to stimulate students to develop a lifelong thirst for knowledge and learning, and encourage a pioneering innovative and independent attitude and an aspiration to achieve their potential. It recognises that this should involve an increased degree of risk in developing education and the student experience, and is comfortable in accepting this risk

subject always to behaving ethically and with integrity and ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Research

The University wishes to be at the leading edge in the creation of knowledge and making a difference to society. It wishes to grow its research activities, and improve its performance in each REF assessment compared to the previous assessment. It recognises that this will involve an increased degree of risk in developing research activities, and is comfortable in accepting this risk subject to a) limitations imposed by ethical considerations, and b) ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Public Engagement

The University wishes to retain its position as a leader in public and community engagement. Developing knowledge in collaboration with public and community organisations and groups, locally, nationally, and internationally, for mutual benefit. It recognises that developing this may involve an increased degree of risk, and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Global Engagement

Queen Mary is committed to achieving global excellence and impact through research, education, industry and policy partnerships with leading institutions across the world. It has a strong appetite for developing collaborations that support excellence across its activities; this includes a strong appetite for exploring opportunities for the provision of joint education. The University has a low appetite for investing in the development of international branch campuses outside of existing commitments.

Major Change activities (e.g. projects, collaborations, mergers)

Major change activities are required periodically to develop the University, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the University's activities. The University expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards.

Statement of corporate governance and internal control

Purpose of this statement

The following statement is provided to enable readers of the Financial Statements of the Group, which comprises the University and its subsidiaries, to obtain a better understanding of the governance, management and legal structure of the University. This Statement of Corporate Governance and Internal Control relates to the period covered by the Financial Statements and the period up to the date of approval of the audited Financial Statements.

Queen Mary University of London is committed to conducting its business in accordance with the seven principles identified by the Committee on Standards in Public Life. Queen Mary's governing body is guided, but not limited, by the Committee of University Chairs' (CUC) Higher Education Code of Governance issued in 2014, revised in 2018. Queen Mary's practices are consistent with the provisions of the code.

In addition, Queen Mary corporately, through its arrangements for governance, is committed in a demonstrable way to the principles of academic freedom and equality of opportunity, which are enshrined in its Charter.

Constitution and governing body

Queen Mary University of London was established by Act of Parliament and granting of a Royal Charter in 1989 following the merger of Queen Mary College (incorporated by Royal Charter in 1934) and Westfield College (incorporated by Royal Charter in 1933). The Charter has been revised on a number of occasions: 1995 to reflect the merger of Queen Mary with the Barts and the London School of Medicine and Dentistry; 2008, following Queen Mary'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. In 2013 the University elected to change its name to Queen Mary University of London and to exercise its degree awarding powers from 2014.

The Charter and Ordinances are the primary governing instruments of Queen Mary, and are the framework within which the governance structure of the University operates. The Charter establishes the Council and Senate, each with clearly defined functions and responsibilities detailed in the Ordinances, to oversee and manage Queen Mary's activities.

The Council is Queen Mary's governing body and is responsible for the strategic oversight of the University. Its specific responsibility includes approval of the financial strategy and securing its assets. The Council comprises a majority of external members whose principal role is to bring independent expertise from a range of sectors and professional spheres and to hold, collectively, the executive to account.

The Chair of Council is required to be elected from among the external members of the Council. There is provision for the election of members of the academic staff, and representatives of other staff groups, to Council and for a Students' Union representative. No members of the Council receive remuneration for their role, apart from staff members and the QMSU executive officer, solely in the context of their employment.

Subject to the overall superintendence of the Council, the Senate has oversight of the academic affairs of Queen Mary and draws its membership entirely from the academic staff and students, with a majority of elected representatives. It is particularly concerned with issues relating to academic policy, setting and maintaining academic standards, the quality of the student experience and academic freedom.

In accordance with the CUC Higher Education Code of Governance, Council keeps its effectiveness under regular review. A full effectiveness review of Council was undertaken during 2014/15. It concluded that the University may have a high level of confidence in the effectiveness of Council. Its recommendations have now been implemented; the next full review will take place in 2018/19. In addition, members' opinions on the effectiveness of Council and its committees are sought regularly, whether through an annual survey designed for this purpose, or through individual meetings held with the Chair.

During 2015/16, an effectiveness review of Senate was undertaken and reported to the Council. Recommendations implemented have included the presentation of extended reports of Senate meetings to the Council.

Queen Mary maintains a Register of Interests of members of the Council and of members of the executive which is published on the Council and Governance web pages (www.qmul.ac.uk). The register is updated at least annually and includes details of charity trusteeships.

The role of the President and Principal

The President and Principal is appointed by the Council as chief academic and accounting officer to head Queen Mary. The President and Principal is accountable to the Council for the organisation, direction and management of Queen Mary. Under the terms of the memorandum of assurance and accountability between Queen Mary and the Office for Students (OfS), the President and Principal is the designated officer of Queen Mary and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The President and Principal exercises considerable influence upon the development of Queen Mary's strategy, the identification and planning of new developments and the

Statement of corporate governance and internal control (continued)

shaping of the Queen Mary's ethos and values. The President and Principal is assisted in this by the Senior Executive comprising the Vice Principal & Executive Dean (Health), Vice Principal & Executive Dean (Humanities and Social Sciences), Vice Principal & Executive Dean (Science and Engineering), Vice Principal (Public Engagement and Student Enterprise), Vice Principal (Research), Vice Principal (Education), Vice Principal (International), Chief Operating Officer, Chief Strategy Officer and Finance Director.

Committees of Council

The Council meets five times in each academic year and members are invited to a residential event each year attended by the Senior Executive. The Council has five committees, laid down by Ordinance, to which it delegates much of its detailed work. These committees are the Finance and Investment Committee, the Audit and Risk Committee, the Governance Committee, the Remuneration Committee and the Honorary Degrees and Fellowships Committee. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of lay members, from whom its Chair is drawn; each reports regularly to the Council.

The membership of the Council and of the Audit and Risk Committee are set out at the end of these Financial Statements.

The Finance and Investment Committee focuses on oversight of the Senior Executive's planning and management of the finance, investments and assets of Queen Mary. It has a particular remit in respect of the following:

- recommends to Council a finance strategy;
- recommends to Council the annual budgets and financial forecasts;
- monitors the financial situation of Queen Mary, both capital and revenue;
- considers and monitors the annual capital programme and proposals for major capital projects;
- considers proposals affecting major Queen Mary assets, in particular the estate;
- approves a strategy for borrowing, investment of funds and raising of monies.

The Audit and Risk Committee oversees Queen Mary's procedures for external and internal audit, financial control and risk management, and provides assurances in these key areas through its annual report to the Council which is copied to the OfS. More specifically, the Committee:

- oversees external and internal audit services, including receiving reports and recommendations from both on the results of their work;
- reviews the effectiveness of Queen Mary's systems for submission of regulatory returns, financial control, value for money, data assurance and responding to alleged financial irregularities;
- reviews the effectiveness of mechanisms operated by the Senior Executive for identifying, assessing and mitigating risks;
- oversees Queen Mary's Public Interest Disclosure (whistle-blowing) policy and receives regular reports from the Senior Executive on cases.

The Governance Committee exists, with a majority of external members, to recommend nomination to the committees of the Council and so fulfils the roles and expectations of a nominations committee within the CUC guidance.

The Remuneration Committee is responsible for determining the salaries, emoluments, terms and conditions (and, where appropriate, severance payments) of the President and Principal and members of the Senior Executive. Decisions to change salaries and emoluments are made based on the appropriate benchmark information and a review of performance against previously agreed objectives. It is also responsible for decisions in relation to the salaries, emoluments and terms and conditions (and, where appropriate, severance payments) of other staff when these decisions exceed a threshold which is reviewed and set by Council annually. In doing so we have followed CUC guidance.

On an annual basis the Committee receives reports on the salary profiles, increases and other payments including severance, for all professorial and grade 8 staff to advise with particular regard to Queen Mary's equality duties and retention and market factors.

The Remuneration Committee is chaired by the Vice-Chair of Council and has four other lay members, one of whom is a tax and reward specialist, and an elected academic staff member. The Academic Registrar and Council Secretary is the secretary to Remuneration Committee and the Director of Human Resources attends meetings on a regular basis. The President and Principal attends when invited to discuss the performance and remuneration of other senior members of staff. Each year there is one meeting of Remuneration Committee dedicated to a review of the performance and remuneration of the President and Principal, which the President and Principal does not attend. The President of the Students' Union is invited to attend this meeting and to participate in the discussions and decisions.

Statement of corporate governance and internal control (continued)

The Honorary Degrees and Fellowship Committee makes recommendations to the Senate and the Council on the conferment of Fellowships and Honorary Degrees of Queen Mary University of London, and the award of the Queen Mary Medal.

An honorary degree may be conferred on a person of conspicuous merit, who is outstanding in their field, commands international or at least national recognition, or who has given exceptional service to Queen Mary. Fellowships of Queen Mary are conferred on persons of distinction or persons who have, in the opinion of the Council and the Senate, rendered significant service to Queen Mary or to the community, or with a demonstrable connection or affiliation to Queen Mary. A Queen Mary Staff Medal may be awarded to individual members of staff on, or following retirement from employment at Queen Mary, who in the opinion of the Council have made an exceptional, sustained contribution to Queen Mary.

Equality and diversity

Queen Mary is fully committed to fulfilling its duties under the Equality Act 2010 and responsibilities under the Public Sector Equality Duty. In its recent Equality & Diversity Annual Report 2018, it has taken steps to review and restructure the University's governance of Equality, Diversity and Inclusion. This includes developing clear targets for the equality objectives, more resource for the Senior Academic Lead for Equality and Diversity and the introduction of Faculty level and Professional Services level Equality and Diversity groups to help implement policy and processes at a local level.

The University continues to demonstrate its commitment to gender equality through the involvement of schools and institutes in the Athena SWAN Charter. The University recently submitted an application to the Stonewall Workplace Equality Index to demonstrate its commitment to lesbian, gay, bisexual and transgender staff and students. In line with our commitment to race equality, the University became a member of the Race Equality Charter and will submit for a university Bronze award in 2020.

Internal control and management of risk

The Council, as the governing body of Queen Mary, has responsibility for maintaining a sound 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 governing body in the Charter and Ordinances and the OfS' regulatory framework.

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. It is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively.

This process was in place for the year ended 31 July 2018 and up to the date of the approval of the Financial Statements, and accords with OfS guidance. The Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Council considers the plans and strategic direction of the University on an annual basis.
- The Audit and Risk Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives periodic reports from the Chair of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Risk Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by the categorisation of risks and the maintenance of an institution-wide strategic risk register.
- Queen Mary procures its internal audit service from KPMG, which operates to standards defined in the OfS Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which Queen Mary is exposed, and an annual internal audit plan is based on this analysis. The Audit and Risk Committee approves the internal audit plan.
- KPMG submits regular reports to the Audit and Risk Committee that include an independent opinion on the adequacy and effectiveness of the University's system of internal control, based on work undertaken in accordance with its approved audit plan, together with recommendations for improvement.
- During the 2017/18 year, the Strategic Risk Management Group had delegated responsibility for strategic risk and risk management processes throughout Queen Mary. The group worked with the Senior Executive to monitor and review the high-level strategic risk register and risk matrix, which documents the impact and likelihood of a risk. The group met termly and provided regular reports on the monitoring of the strategic risk register to the Senior Executive and the Audit and Risk Committee.

Statement of corporate governance and internal control (continued)

- Alongside the Strategic Risk Register, each Faculty, School and Professional Service department maintained its own risk register. The Strategic Risk Management Group reviewed these local registers on a cyclical basis for monitoring purposes and to ensure that they were aligned with the Strategic Risk Register.
- Each year, Queen Mary conducts in-depth reviews of particular risk areas, themes or emerging issues. These assessments explore risk identification and monitoring, and links to the Strategic Risk Register. During the year under review, in-depth reviews were conducted in the areas of IT strategy and student retention.
- A system of key performance and risk indicators has been developed to enable the Council to monitor progress towards the achievement of strategic objectives.
- The Audit and Risk Committee receives an annual report on legal compliance. Queen Mary maintains a legal compliance register which was updated in 2016/17 following the commission of an independent review of the coverage of the register and to advise on forthcoming legislation in the context of the Queen Mary Strategy 2014-19. Based on the information received, the Committee was satisfied that Queen Mary has appropriate processes in place to meet its legal requirements and obligations.

The Council's full review of the effectiveness of the system of internal control for the period under review was informed by the Audit and Risk Committee, the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework. The Council has not identified any significant control weaknesses.

Responsibilities of the Council

The Council is responsible for the appointment of the external auditors and approval of the Financial Statements which are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the memorandum of assurance and accountability between the OfS and the Council of Queen Mary, the Council, through its designated office holder, the President and Principal, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of Queen Mary and of the surplus or deficit and cash flows for that year.

The Financial Statements are adopted by the Council following review by Finance and Investment Committee and on the recommendation of the Audit and Risk Committee after it has received a report from the external auditors.

In causing the Financial Statements to be prepared, the Council is assured 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 Queen Mary 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 external auditors are unaware. Relevant information is defined as information needed by the external auditors in connection with preparing their report.

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

- ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability with the OfS and any other conditions which the OfS 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 Queen Mary and prevent and detect corruption, fraud, bribery and other irregularities; and
- secure the economical, efficient and effective management of Queen Mary's resources and expenditure.

The key elements of Queen Mary's system of internal financial control, designed to discharge these responsibilities include the following:

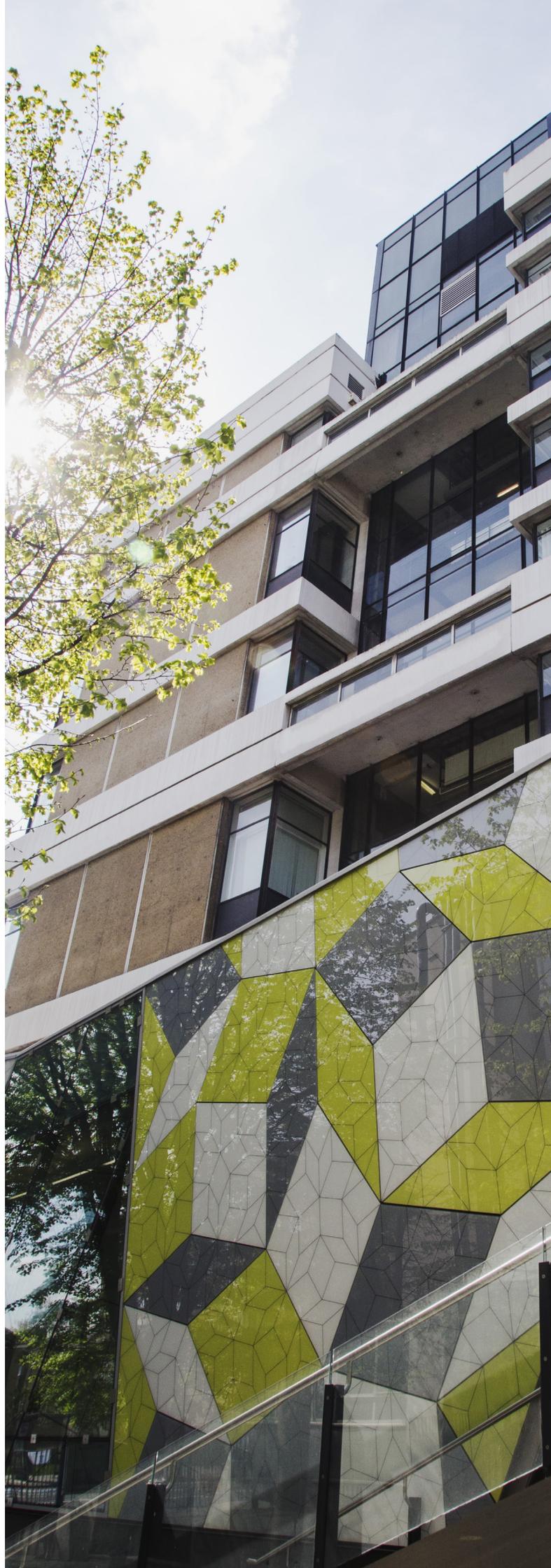
- clear definition of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;

Statement of corporate governance and internal control (continued)

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Investment Committee under delegated authority from the 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 financial performance involving variance reporting, sensitivity analysis and updates of forecast out-turn.

The Council's review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit and Risk Committee, the individual members of staff within the University who have responsibility for the development and maintenance of the financial control framework and comments made by the external auditors in the management letter and in other reports.

Any system of internal financial control can only provide reasonable, but not absolute, assurance against material misstatement or loss.



Independent auditor's report to the Council of Queen Mary University of London

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Queen Mary University of London (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2018 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the group and university statement of comprehensive income and expenditure;
- the group and university balance sheet;
- the group and university statement of changes in reserves;
- the group and university cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard,

and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

Council is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Council

As explained more fully in Council's responsibilities statement, Council is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the Council of Queen Mary University of London (continued)

In preparing the financial statements, Council is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS) "Regulatory Advice 9: Accounts Direction"

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- the requirements of the OfS's accounts direction have been met.

Use of our report

This report is made solely to Council in accordance with the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
30 November 2018



Consolidated and University statement of comprehensive income and expenditure for the year ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	2	235,999	235,431	207,703	207,703
Funding body grants	3	71,538	71,538	68,191	68,191
Research grants and contracts	4	107,022	106,470	108,486	107,643
Other income	5	45,368	43,886	43,504	42,588
Investment income	6	524	467	489	1,180
Donations and endowments	7	1,465	1,702	1,750	1,449
Total income		461,916	459,494	430,123	428,754
Expenditure					
Staff costs	8	256,886	255,665	239,220	238,528
Other operating expenses		153,927	152,133	134,425	134,464
Depreciation and amortisation	12,13	34,358	33,611	33,653	32,935
Interest and other finance costs	9	3,513	2,618	3,690	2,795
Total expenditure	10	448,684	444,027	410,988	408,722
Surplus before other gains/(losses) and share of operating profit/(loss) of associates		13,232	15,467	19,135	20,032
Share of profit/(loss) in associates		33	-	(6)	-
Gain/(loss) on investments		460	494	(655)	(424)
Loss on disposal of fixed assets		(175)	(148)	-	-
Surplus before tax		13,550	15,813	18,474	19,608
Taxation	11	(826)	(825)	(387)	(380)
Surplus for the year		12,724	14,988	18,087	19,228
Currency exchange (losses)/gains on associates and subsidiaries reserves	15	(122)	-	41	-
Actuarial gain in respect of pension schemes	29	56	56	97	97
Total comprehensive income for the year		12,658	15,044	18,225	19,325
Represented by:					
Endowment comprehensive income for the year		(159)	(159)	440	440
Restricted comprehensive income for the year		(256)	33	26	(211)
Unrestricted comprehensive income for the year		13,073	15,170	17,759	19,096
Attributable to University		12,658	15,044	18,225	19,325
Attributable to the non-controlling interest		-	-	-	-
		12,658	15,044	18,225	19,325
Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
University		12,724	14,988	18,087	19,228

All items of income and expenditure relate to continuing activities.

Consolidated and University statement of changes in reserves

for the year ended 31 July 2018

	Income and expenditure account			Total excluding non-controlling interest £'000	Non-controlling interest £'000	Total £'000
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000			
Consolidated						
As at 1 August 2016	30,267	4,723	415,243	450,233	(5)	450,228
Transfers between endowments, restricted and general reserves	3,559	(1,814)	(1,745)	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	440	26	17,621	18,087	-	18,087
Other comprehensive income	-	-	138	138	-	138
Total comprehensive income for the year	3,999	(1,788)	16,014	18,225	-	18,225
As at 1 August 2017	34,266	2,935	431,257	468,458	(5)	468,453
Transfers between endowments, restricted and general reserves	-	-	-	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	(159)	(256)	13,139	12,724	-	12,724
Other comprehensive income	-	-	(66)	(66)	-	(66)
Total comprehensive income for the year	(159)	(256)	13,073	12,658	-	12,658
As at 31 July 2018	34,107	2,679	444,330	481,116	(5)	481,111

Consolidated and University statement of changes in reserves (continued) for the year ended 31 July 2018

	Income and expenditure account			Total excluding non-controlling interest £'000	Non-controlling interest £'000	Total £'000
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000			
University						
As at 1 August 2016	30,252	4,443	417,976	452,671	-	452,671
Transfers between endowments, restricted and general reserves	3,559	(1,814)	(1,745)	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	440	(211)	18,999	19,228	-	19,228
Other comprehensive income	-	-	97	97	-	97
Total comprehensive income for the year	3,999	(2,025)	17,351	19,325	-	19,325
As at 1 August 2017	34,251	2,418	435,327	471,996	-	471,996
Transfers between endowments, restricted and general reserves	-	-	-	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	(159)	33	15,114	14,988	-	14,988
Other comprehensive income	-	-	56	56	-	56
Total comprehensive income for the year	(159)	33	15,170	15,044	-	15,044
As at 31 July 2018	34,092	2,451	450,497	487,040	-	487,040

Consolidated and University balance sheet

as at 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	12	9,395	9,395	11,341	11,341
Fixed assets	13	603,444	591,520	593,268	580,787
Investments	14	33,410	36,654	36,448	39,659
Investments in associates	15	302	298	94	1
		646,551	637,867	641,151	631,788
Current assets					
Stock		348	348	175	175
Trade and other receivables	16	60,932	63,154	53,571	53,929
Investments	17	11,384	11,384	10,022	10,022
Cash and cash equivalents	24	20,947	18,265	18,085	15,888
		93,611	93,151	81,853	80,014
Less: Creditors: amounts falling due within one year	18	(120,009)	(121,547)	(106,350)	(108,586)
Net current liabilities		(26,398)	(28,396)	(24,497)	(28,572)
Total assets less current liabilities		620,153	609,471	616,654	603,216
Creditors: amounts falling due after more than one year	19	(101,460)	(84,849)	(108,712)	(91,731)
Provisions					
Pension provisions	20	(37,582)	(37,582)	(39,489)	(39,489)
Total net assets		481,111	487,040	468,453	471,996
Restricted Reserves					
Income and expenditure reserve - endowment	22	34,107	34,092	34,266	34,251
Income and expenditure reserve - restricted	23	2,679	2,451	2,935	2,418
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		444,330	450,497	431,257	435,327
		481,116	487,040	468,458	471,996
Non-controlling interest		(5)	-	(5)	-
Total Reserves		481,111	487,040	468,453	471,996

The financial statements were approved by Council on 29 November 2018 and were signed on its behalf on that date by:

Lord Clement-Jones CBE, Chair

Professor C Bailey, President and Principal



Consolidated and University cash flow for the year ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash flow from operating activities					
Surplus for the year		12,724	14,988	18,087	19,228
Adjustment for non-cash items					
Depreciation	13	30,477	29,730	29,761	29,043
Amortisation of intangible assets	12	3,881	3,881	3,892	3,892
(Gain)/loss on investments		(460)	(494)	655	424
(Increase)/decrease in stock		(173)	(173)	30	29
(Increase) in debtors	16	(9,067)	(9,226)	(1,791)	(2,093)
Increase in creditors	18,19	17,530	15,491	7,584	7,972
(Decrease) in pension provision	20	(1,906)	(1,906)	(4,030)	(4,030)
(Decrease) in other provisions		-	-	(25)	(25)
Actuarial gain in respect of pension schemes		56	56	97	97
Receipt of donated equipment		-	-	(110)	(110)
Share of (profit)/loss in associates		(33)	-	6	-
Adjustment for investing or financing activities					
Investment income	6	(524)	(467)	(489)	(1,180)
Interest payable on loans and finance leases	9	2,774	1,879	2,944	2,049
Endowment income	7	(83)	(83)	(210)	(210)
Loss on disposal of fixed assets		174	149	-	-
Capital grant income		(11,043)	(11,043)	(20,127)	(20,127)
Net cash inflow from operating activities		44,327	42,782	36,274	34,959
Cash flows from investing activities					
Capital grants receipts		11,043	11,043	17,841	17,841
Disposal of non-current asset investments		1,153	1,153	88	88
Withdrawal of deposits		20,176	20,176	10,560	10,560
Investment income		524	467	489	1,180
Payments made to acquire fixed assets		(40,834)	(40,611)	(37,731)	(37,693)
Payments made to acquire intangible assets		(1,935)	(1,935)	(1,602)	(1,602)
New deposits		(19,489)	(19,489)	(9,742)	(9,742)
		(29,362)	(29,196)	(20,097)	(19,368)
Cash flows from financing activities					
Loan interest		(3,295)	(2,401)	(3,439)	(2,543)
Interest element of finance lease net of rebate		(11)	(11)	(45)	(45)
Endowment cash received		83	83	210	210
New unsecured loans		21,000	21,000	13,000	13,000
Repayments of amounts borrowed		(28,904)	(28,904)	(23,873)	(23,873)
Capital element of finance lease payments		(976)	(976)	(1,821)	(1,821)
		(12,103)	(11,209)	(15,968)	(15,072)
Increase in cash and cash equivalents in the year		2,862	2,377	209	519
Cash and cash equivalents at beginning of the year		18,085	15,888	17,876	15,369
Cash and cash equivalents at end of the year		20,947	18,265	18,085	15,888
	24	2,862	2,377	209	519



Notes to the financial statements

for the year ended 31 July 2018

1. Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS 102). Queen Mary University of London is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of fixed assets and the recognition of financial instruments at fair value.

Basis of consolidation

The consolidated financial statements include Queen Mary (the University) and all its subsidiaries for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. Associated companies are accounted for using the equity method. The University is the ultimate controlling entity of the group.

Income recognition

- i Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.
- ii Fee income is credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a prompt payment discount, a fee waiver or scholarships which reduce the tuition fee payable, the net amount is taken to income. Where bursaries and student support payments are customarily made, income receivable is stated net of the payments. All other bursaries and student support payments are accounted for gross as expenditure and not deducted from income.
- iii Grant funding including funding body grants, research and other grants from government and non-government sources are recognised as income when the University is entitled to it and the performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.
- iv Donations and endowments are recognised in income when the University is entitled to the funds. Income from donations with donor imposed restrictions is retained within the restricted or endowment reserve until such time that it is utilised in line with the restrictions when the income

is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds and retained within unrestricted reserves.

There are four main types of donations and endowments identified within reserves:

- a. Restricted donations - the donor has specified that the donation must be used for a particular objective.
 - b. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income for the general purposes of the University.
 - c. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
 - d. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
- v Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis as restricted or unrestricted income according to the terms of the donation or endowment.
 - vi Increases or decreases in value arising on the revaluation or disposal of fixed asset investments are added to or subtracted from the investment concerned and recognised in the Consolidated Statement of Comprehensive Income and Expenditure.
 - vii Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Where grant funded assets are in the course of construction, we consider on a case by case basis whether their construction constitutes a performance related condition. In the event that it does, income will be recognised as the expenditure to complete the asset is incurred.
 - viii Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Notes to the financial statements (continued)

for the year ended 31 July 2018

Accounting policies (continued)

Accounting for retirement benefits

As described in note 29, Queen Mary is a member of three defined benefit pension schemes: the Superannuation Arrangements of the University of London (SAUL), the Universities Superannuation Scheme (USS), and the NHS Public Service Scheme (NHS). Queen Mary also operates a closed defined benefit pension scheme for former non-teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges.

The SAUL and USS schemes are defined benefit schemes which are externally funded and are valued every three years by professionally qualified independent actuaries. Both SAUL and USS are multi-employer schemes for which it is not possible to identify the assets and liabilities applying to Queen Mary's membership due to the mutual nature of the scheme and therefore these schemes are accounted for as a defined contribution scheme. Contributions to the scheme are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees. In addition, a liability is recorded in the Consolidated Statement of Comprehensive Income and Expenditure when a contractual commitment to fund past deficits is made. The liability is held within provisions and released to expenditure to decrease pension payments made over the term of the commitment.

The NHS pension scheme is an unfunded multi-employer scheme. Contributions to the scheme are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees on the basis of contributions payable.

London Hospital and St Bartholomew's Hospital medical colleges pension scheme is a defined benefit plan. Queen Mary has an obligation to provide the agreed benefits to former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus through refunds from the plan.

Financial instruments

As allowable under FRS 102 Queen Mary has adopted the option to apply the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102.

Equity investments are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value through the Consolidated Statement of Comprehensive Income and Expenditure except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument. Investments in associates and subsidiaries are carried at cost less impairment.

The managed investment portfolio, a group of financial assets and debt instruments, is evaluated on a fair value basis through the Consolidated Statement of Comprehensive Income and Expenditure.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the undiscounted transaction price. Any losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income and Expenditure in other operating expenses.

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in the Consolidated Statement of Comprehensive Income and Expenditure.

Cash and cash equivalents are included at amortised cost using the effective interest rate method.

Finance leases

Leases in which Queen Mary assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Notes to the financial statements (continued)

for the year ended 31 July 2018

Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising have been included in the Consolidated Statement of Comprehensive Income and Expenditure.

The assets and liabilities of foreign operations, arising on consolidation, are translated into sterling at the rate of exchange at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported in the Consolidated Statement of Comprehensive Income and Expenditure.

Intangible assets

Intangible assets are stated at cost or at impaired value. 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 Consolidated Statement of Comprehensive Income and Expenditure.

Third party software and the costs associated with its implementation costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other costs are amortised over 3-8 years on a straight line basis, the period of its estimated useful life.

Fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation. Depreciation is calculated on a straight line basis. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings were revalued to fair value on 31 July 2014. The University has taken advantage of the transitional arrangements in FRS 102 to apply this valuation as deemed cost but not to adopt a valuation policy going forward. Additions to land and buildings since 1 August 2014 have been at cost.

- i Buildings are depreciated over 50 years. Depreciation on leased buildings is calculated 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.
- ii 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.

- iii Freehold improvement works are depreciated over 20-40 years.
- iv Leasehold improvement works are depreciated over 20-40 years or the term of the lease if shorter.
- v Plant & Machinery is depreciated over 15 years.
- vi Fixtures & Fittings are depreciated over 10 years.
- vii Equipment is depreciated over 3-8 years.
- viii Plant & Machinery, Equipment and Fixtures & Fittings costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other items are capitalised.
- ix Where assets are acquired with the aid of specific grants they are capitalised and depreciated over the shorter of the term of the grant or the depreciation terms as set out above.
- x Assets held under finance leases are depreciated over the period of the finance lease or the depreciation terms as set out above whichever is shorter.
- xi Improvements to properties held under short leases are depreciated over the life of the lease.
- xii 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.
- xiii 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 Consolidated Statement of Comprehensive Income and Expenditure. Circumstances which could give rise to an impairment are reviewed annually.
- xiv Queen Mary owns heritage assets, none of which either individually or collectively are material to these Financial Statements, which have not been capitalised.
- xv Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Consolidated Statement of Comprehensive Income and Expenditure in the year it is incurred. The University has a planned maintenance programme which is reviewed annually.

Investments

- i Investments in associates and subsidiaries are shown at the lower of cost or net realisable value.
- ii Associate undertakings are shown at Queen Mary's attributable share of net assets in the Consolidated Balance Sheet.

Notes to the financial statements (continued)

for the year ended 31 July 2018

Accounting policies (continued)

- iii Listed investments held for the benefit of the endowment portfolio are shown at market valuation with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.
- iv Shares held in other fixed asset investments are initially held at their transaction price. Thereafter, they are measured at fair value through the Consolidated Statement of Comprehensive Income and Expenditure except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.
- v Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Stock

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. An annual review is undertaken of slow moving, obsolete and defective stock and the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the Consolidated Statement of Comprehensive Income and Expenditure.

Cash and cash equivalents

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. Cash equivalents are short term, highly liquid investments, typically with a maturity of up to 3 months from the initial investment, that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions

Provisions are recognised in the financial statements when:

- i The University has a present obligation (legal or constructive) as a result of a past event;
- ii it is probable that an outflow of economic benefits will be required to settle the obligation; and
- iii a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Contingent liabilities

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University or where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Accounting for intercompany loans

The University accounts for intercompany loans using the accounting treatment for public benefit entities in Section 34 of FRS102.

Accounting for jointly controlled operations

The University accounts for its share of transactions from joint operations in the Consolidated Statement of Comprehensive Income and Expenditure.

Taxation

Queen Mary is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charity for corporation tax purposes. Accordingly, the University is potentially exempt from tax in respect of income or capital gains received within categories covered by Sections 478-488 CTA 2010 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 University 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 or outside the scope activities under VAT legislation. Irrecoverable VAT is included in the cost of the goods or service.

Reserves

Reserves are classified as restricted or unrestricted.

- i The restricted endowment reserve comprises endowments made to the University where the donor has specified that the fund is to be invested to generate an income stream to be applied to a specific purpose.
- ii The restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Accounting estimates and judgments

The following are the critical judgments and estimates that the group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- i Pension provision assumptions
In the judgement of the University, it remains appropriate to account for the USS past deficit obligation in accordance

Notes to the financial statements (continued)

for the year ended 31 July 2018

Accounting policies (continued)

with the deficit recovery plan agreed after the 2014 actuarial valuation. However there is a significant risk that the calculated provision will not reflect the position following the outcome of the final negotiations. Further information on the pension provision is included in Note 20.

The rate used to discount future contributions to the USS deficit recovery programme at the balance sheet date reflects the yield on high quality corporate bonds consistent with the currency and estimated period of the future payments. The rates used are based on work commissioned by the British Universities' Finance Directors' Group (BUFDG) from Mercer for the HE sector as a whole. The other assumptions used for calculation of the provisions are the estimated salary inflation in future years and estimated changes in number of staff who are members of the respective pension schemes in future years. These are both consistent with our internal financial forecasting assumptions.

- ii Estimation of doubtful debts
The group is required to make judgments about the recoverability of its debtor balances and to make provision for doubtful debts as appropriate. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.



Notes to the financial statements (continued)

for the year ended 31 July 2018

2. Tuition fees and education contracts

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full-time home and EU students	120,102	120,102	112,453	112,453
Full-time international students	100,383	99,815	81,988	81,988
Part-time students	5,983	5,983	4,958	4,958
Short course fees	2,717	2,717	2,197	2,197
Other fees and support grants	1,325	1,325	898	898
Education contracts	5,489	5,489	5,209	5,209
	235,999	235,431	207,703	207,703

3. Funding body grants

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grant				
Higher Education Funding Council/ Office for Students/Research England	58,104	58,104	59,141	59,141
Capital grant	5,141	5,141	5,097	5,097
Specific grants				
Higher Education Innovation Fund	3,102	3,102	3,103	3,103
Capital grant	3,240	3,240	680	680
Other	1,951	1,951	170	170
	71,538	71,538	68,191	68,191

4. Research grants and contracts

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	28,445	28,409	37,425	37,241
Research charities	33,050	33,050	30,064	30,064
Government (UK and overseas)	28,584	28,418	21,233	21,060
Industry and commerce	13,279	13,279	14,480	14,480
Other	3,664	3,314	5,284	4,798
	107,022	106,470	108,486	107,643
Included within Research grants and contracts above are capital grants of:	2,116	2,116	13,682	13,682

Notes to the financial statements (continued)

for the year ended 31 July 2018

5. Other income	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Residences, catering and conferences		16,883	16,782	16,863	16,863
Other services rendered		8,140	8,403	7,002	7,475
Health Authorities		10,427	10,427	11,256	11,256
Other revenue income		9,522	7,878	7,859	6,470
Other capital income		396	396	524	524
		45,368	43,886	43,504	42,588

6. Investment income		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Investment income on expendable endowments	22	112	112	107	107
Investment income on permanent endowments	22	234	234	276	276
Investment income on restricted reserves	23	-	-	-	-
Other investment income		147	90	65	756
Net return on pension scheme	29	31	31	41	41
		524	467	489	1,180

7. Donations and endowments		Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
New endowments	22	83	83	210	210
Donations with restrictions	23	745	934	1,047	750
Unrestricted donations		637	685	493	489
		1,465	1,702	1,750	1,449
Included within donations above are capital donations of:		150	150	254	254

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	206,650	205,570	193,337	192,759
Social security costs	21,176	21,069	20,130	20,017
Movement in holiday pay accrual	281	280	346	346
Movement on USS provision	(1,912)	(1,912)	(3,026)	(3,026)
Movement on SAUL provision	(612)	(612)	(1,579)	(1,579)
Other pension costs	30,297	30,264	28,663	28,662
Compensation for loss of office	1,006	1,006	1,349	1,349
	256,886	255,665	239,220	238,528

	2018	2017
	Consolidated	Consolidated
Compensation for loss of office:		
Total amount of compensation for loss of office	£1,006,122	£1,349,167
Number of people to whom this was payable	131	121

	2018	2017
	Consolidated	Consolidated
	No.	No.
Average FTE staff numbers by major category:		
Academic, education and research	1,967	1,880
Professional services	1,588	1,492
Technical services	276	263
Operational services	242	234
	4,074	3,870

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs (continued)

Remuneration of the President and Principal:	2018	2017
Professor Simon Gaskell (resigned as President and Principal on 31 August 2017)	From 1 Aug 2017 to 31 Aug 2017	
	£	£
Emoluments:		
Basic salary	22,950	275,400
Benefits in kind - taxable		
Utilities, service charge and furniture in Principal's accommodation	546	6,757
Private Health Care	262	3,120
Benefits in kind - non taxable		
Estimated value of accommodation provided in University owned property	5,242	48,750
Total remuneration before pension contributions	29,000	334,027
Pension Contributions to USS	482	5,783
Total remuneration including pension contributions	29,482	339,811

Justification for the total remuneration package for Professor Simon Gaskell

Queen Mary University of London is a member of the Russell Group of 24 leading UK universities, which are committed to maintaining the very best research, an outstanding teaching and learning experience and unrivalled links with business and the public sector. It has five campuses in London and significant operations overseas, notably in China, France and Malta. In the academic year 2017-18, it had over 25,000 students registered on its programmes, approximately 4,500 members of staff and a consolidated turnover of £462m. Queen Mary therefore competes with some of the best universities in the UK and internationally to recruit senior members of staff.

The President and Principal is the chief academic and executive officer of the University and has ultimate responsibility for the development and delivery of Queen Mary's strategy, as well as for ensuring that it has the financial strength and sustainability to achieve its ambitions. They are responsible for maintaining and promoting Queen Mary's values and distinctive identity, for overseeing the achievement of high international standards in education and research across all disciplines, and for protecting and developing the University's reputation on a regional, national and international level.

The Chair of Council is responsible for conducting the President and Principal's mid- and full-year appraisals. Following the full-year appraisal, the Remuneration Committee holds a dedicated meeting, which the President and Principal does not attend, to review the President and Principal's performance and remuneration.

Professor Simon Gaskell was Queen Mary's President and Principal from October 2009 until he retired from the role on 31 August 2017. His total pay during the month covered by these financial statements was below the median compared to other Russell Group universities, as well as to pre-92 universities with income over £400m and institutions in London with income over £202m.

Queen Mary requires the President and Principal to reside in nearby accommodation, which it provides for the better performance of their duties and for official business. This is consistent with similar arrangements at other universities, especially in London. The University purchased the property outright in 1976 for £55,000 in what was then a modest area of East London. Since that time, property values in the area have increased significantly. The commercial rental value of the property during the month covered by these financial statements when Professor Gaskell resided in it was £48,750 per annum.

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs (continued)

Remuneration of the President and Principal (continued):

	2018 Median	2017 Median
Relationship between Professor Simon Gaskell's emoluments and the median value for all staff employed by the University:		
Basic Salary (median calculated as full-time equivalent for the salaries of all staff)	7.1	6.9
Total remuneration (median calculated as full-time equivalent for the remuneration of all staff)	7.7	7.1

	2018 From 1 Sept 2017 £
Professor Colin Bailey (appointed to the post of President and Principal on 1 September 2017)	

Emoluments:

Basic Salary	252,083
Market Supplement	22,917
Benefits in kind - taxable	
Utilities, service charge and furniture in Principal's accommodation	2,799
Benefits in kind - non taxable	
Rent paid on accommodation provided by the University	12,458
Estimated value of accommodation provided in University owned property	28,244
Total remuneration before pension contributions	<u>318,501</u>
Pension Contributions to USS	5,775
Total remuneration including pension contributions	<u>324,276</u>

Justification for the total remuneration package for Professor Colin Bailey

Queen Mary University of London is a member of the Russell Group of 24 leading UK universities, which are committed to maintaining the very best research, an outstanding teaching and learning experience and unrivalled links with business and the public sector. It has five campuses in London and significant operations overseas, notably in China, France and Malta. In the academic year 2017–18, it had over 25,000 students registered on its programmes, approximately 4,500 members of staff and a consolidated turnover of £462m. Queen Mary therefore competes with some of the best universities in the UK and internationally to recruit senior members of staff.

The President and Principal is the chief academic and executive officer of the University and has ultimate responsibility for the development and delivery of Queen Mary's strategy, as well as for ensuring that it has the financial strength and sustainability to achieve its ambitions. They are responsible for maintaining and promoting Queen Mary's values and distinctive identity, for overseeing the achievement of high international standards in education and research across all disciplines, and for protecting and developing the University's reputation on a regional, national and international level.

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs (continued)

Remuneration of the President and Principal (continued):

Professor Colin Bailey was appointed as Queen Mary's President and Principal with effect from 1 September 2017 following an international search overseen by the Council, the University's governing body. A dedicated benchmarking exercise was undertaken as part of the recruitment process to determine the appropriate level of remuneration for the role. Professor Bailey's total pay (basic pay and market supplement) was set close to the median compared to other Russell Group universities, as well as to pre-92 universities with income over £400m and institutions in London with income over £202m.

Queen Mary requires the President and Principal to reside in nearby accommodation, which it provides for the better performance of their duties and for official business. This is consistent with similar arrangements at other universities, especially in London. The University purchased the property outright in 1976 for £55,000 in what was then a modest area of East London. Since that time, property values in the area have increased significantly. During the past year, the University undertook necessary maintenance on some basic services in the property which had not been updated in over 40 years. Professor Bailey was provided with rented accommodation while the work was undertaken. Prior to this, the commercial rental value of the property was £48,750 per annum. Following completion of the works, the commercial rental value of the property increased to £65,000 per annum.

The Chair of Council is responsible for conducting the President and Principal's mid- and full-year appraisals. Following the full-year appraisal, the Remuneration Committee holds a dedicated meeting, which the President and Principal does not attend, to review the President and Principal's performance and remuneration. The President of the Queen Mary Students' Union is invited to attend the meeting and to participate in the discussions and decisions. As Professor Bailey first took up the role of President and Principal on 1 September 2017, his performance and remuneration were not reviewed during the period covered by these financial statements. The Remuneration Committee publishes an Annual Remuneration Report at: <http://www.arcs.qmul.ac.uk/governance/council/committees/remuneration-committee/>

	2018 Median
Relationship between Professor Colin Bailey's emoluments and the median value for all staff employed by the University:	
Basic Salary (median calculated as full-time equivalent for the salaries of all staff)	7.1
Total remuneration (median calculated as full-time equivalent for the remuneration of all staff)	7.7

Median calculations:

The median calculations for both Principals, as presented in the note, are not in accordance with the new Office for Students guidance as neither agency staff nor atypical workers are included in the dataset on which the calculations are based. These individuals are excluded from our staff number FTE disclosures, and the cost of agency staff is also not included in total staff costs.

The University is unable to include agency staff in the median calculation as the information recorded relates to amounts invoiced by the supplying agency for services supplied rather than an individual's hours worked and rates of pay, consequently the amount invoiced cannot readily be identified with either an individual or post and it is therefore not possible to calculate an FTE salary. The total value of amounts invoiced by agency suppliers for staff engaged in the year was £4,905,343 (2017: £5,230,174), which represents only 1.9% (2017: 2.2%) of the University's total staff costs. There would be a significant administrative cost in translating the information held into a proxy for individual FTE salaries. Additionally the University does not set the rates of pay for individuals paid through agencies which would therefore render any comparison with the Principal's pay of uncertain value.

Atypical staff who are paid through the payroll have been excluded because we do not have the information to calculate an accurate FTE remuneration figure, including hours worked and rates of pay. Many of the individuals in this category are paid for one-off or short term tasks and in some cases individuals will be paid a fixed fee for the piece of work unrelated to hours/time spent.

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Emoluments include any compensation paid to key management personnel. The President and Principal is included together with the other members of Queen Mary Senior Executive who are listed on the final page of the financial statements.

	2018	2017
	£	£
Emoluments:		
Salary	1,926,287	1,782,408
Benefits in kind	49,551	58,627
Total remuneration before pension contributions	1,975,838	1,841,035
Pension Contributions to USS	191,762	171,175
Total remuneration including pension contributions	2,167,599	2,012,211

Trustees (Council members)

The Trustees neither received nor waived any emoluments during the year (2017: £nil) in respect of their position as Trustees. All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2018 4 Trustees (2017: 9) were reimbursed a total of £1,505 (2017: £857).

Notes to the financial statements (continued)

for the year ended 31 July 2018

8. Staff costs (continued)

The number of staff who earned a basic salary of over £100,000 in the year

	2018	2017
	No.	No.
£100,000 - £104,999	34	21
£105,000 - £109,999	11	8
£110,000 - £114,999	6	7
£115,000 - £119,999	6	8
£120,000 - £124,999	5	4
£125,000 - £129,999	5	1
£130,000 - £134,999	1	1
£135,000 - £139,999	0	2
£140,000 - £144,999	3	1
£145,000 - £149,999	2	2
£150,000 - £154,999	2	1
£155,000 - £159,999	1	1
£160,000 - £164,999	0	0
£165,000 - £169,999	0	1
£170,000 - £174,999	0	0
£175,000 - £179,999	0	0
£180,000 - £184,999	0	0
£185,000 - £189,999	0	0
£190,000 - £194,999	0	0
£195,000 - £199,999	0	0
£200,000 - £204,999	0	0
£205,000 - £209,999	0	0
£210,000 - £214,999	0	0
£215,000 - £219,999	0	0
£220,000 - £224,999	0	0
£225,000 - £229,999	0	0
£230,000 - £234,999	0	0
£235,000 - £239,999	0	0
£240,000 - £244,999	0	0
£245,000 - £249,999	0	0
£250,000 - £254,999	1	0
£255,000 - £259,999	0	0
£260,000 - £264,999	0	0
£265,000 - £269,999	0	0
£270,000 - £274,999	0	0
£275,000 - £279,999	0	1
	77	59

Notes to the financial statements (continued)

for the year ended 31 July 2018

9. Interest and other finance costs

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	2,763	1,868	2,899	2,004
Finance lease interest net of rebate	11	11	45	45
Net charge on pension scheme	739	739	746	746
	3,513	2,618	3,690	2,795

10. Analysis of total expenditure by activity

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic and related expenditure	217,114	214,890	210,186	208,033
Administration and central services	69,771	69,767	57,480	57,477
Premises	41,116	41,012	35,189	35,168
Residences, catering and conferences	14,758	14,545	16,554	16,554
Research grants and contracts	103,221	103,074	89,740	90,744
Other expenses	2,704	739	1,839	746
	448,684	444,027	410,988	408,722

The analysis for the year ended 31 July 2017 has been amended to more accurately reflect HESA guidance on expenditure by activity. The overall total remains unchanged.

	2018	2017
	Consolidated	Consolidated
	£'000	£'000
Other operating expenses include:		
External auditor's remuneration in respect of audit services	149	141
External auditor's remuneration in respect of non-audit services	-	12
Operating lease rentals		
Land and buildings	2,478	2,376
Other	1,950	2,454

11. Taxation

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Current tax				
Corporate income tax on the profits of China operations	826	825	387	380
Current tax expense	826	825	387	380
Deferred tax	-	-	-	-
Total tax expense	826	825	387	380

Notes to the financial statements (continued)

for the year ended 31 July 2018

	Software £'000	Assets in the course of construction £'000	Total £'000
12. Intangible assets			
Consolidated and University			
Cost and valuation			
As at 1 August 2017	22,555	805	23,360
Additions	-	1,935	1,935
Transfers	700	(700)	-
Disposals	-	-	-
As at 31 July 2018	23,255	2,040	25,295
Amortisation			
As at 1 August 2017	12,019	-	12,019
Charge for the year	3,881	-	3,881
Disposals	-	-	-
As at 31 July 2018	15,900	-	15,900
Net book value			
As at 31 July 2018	7,355	2,040	9,395
As at 31 July 2017	10,536	805	11,341

Notes to the financial statements (continued)

for the year ended 31 July 2018

13. Fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
Consolidated						
Cost or valuation						
As at 1 August 2017	489,037	47,953	35,209	105,092	9,810	687,101
Additions	-	-	-	223	40,611	40,834
Transfers	2,971	2,598	1,595	11,204	(18,368)	-
Disposals	-	-	(1,166)	(6,393)	-	(7,559)
As at 31 July 2018	492,008	50,551	35,638	110,126	32,053	720,376
Depreciation						
As at 1 August 2017	17,146	6,263	10,965	59,459	-	93,833
Charge for the year	6,899	2,012	3,275	18,291	-	30,477
Disposals	-	-	(1,133)	(6,245)	-	(7,378)
As at 31 July 2018	24,045	8,275	13,107	71,505	-	116,932
Net book value						
As at 31 July 2018	467,963	42,276	22,531	38,621	32,053	603,444
As at 31 July 2017	471,891	41,690	24,244	45,633	9,810	593,268
University						
Cost or valuation						
As at 1 August 2017	481,657	47,953	29,114	102,309	9,810	670,843
Additions	-	-	-	-	40,611	40,611
Transfers	2,971	2,598	1,595	11,204	(18,368)	-
Disposals	-	-	(1,033)	(6,343)	-	(7,376)
As at 31 July 2018	484,628	50,551	29,676	107,170	32,053	704,078
Depreciation						
As at 1 August 2017	16,704	6,263	8,999	58,090	-	90,056
Charge for the year	6,751	2,012	2,917	18,050	-	29,730
Disposals	-	-	(1,033)	(6,195)	-	(7,228)
As at 31 July 2018	23,455	8,275	10,883	69,945	-	112,558
Net book value						
As at 31 July 2018	461,173	42,276	18,793	37,225	32,053	591,520
As at 31 July 2017	464,953	41,690	20,115	44,219	9,810	580,787
Leased assets included above:						
Net Book Value:						
As at 31 July 2018	-	42,276	-	539	-	42,815
As at 31 July 2017	-	41,690	-	1,506	-	43,196

A full valuation of all Queen Mary's land and buildings was carried out at 31 July 2014 by JLL. Freehold land and buildings at 31 July 2018 includes land with a cost of £280,980,000 (2017: £280,980,000) which is not depreciated.

Notes to the financial statements (continued)

for the year ended 31 July 2018

13. Fixed assets (continued)

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	31 July 2018	31 July 2017
	Consolidated	Consolidated
	£'000	£'000
Cost	8,816	8,816
Accumulated depreciation	(7,310)	(5,258)
Charge for year	(967)	(2,052)
Net book value	<u>539</u>	<u>1,506</u>

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

	Subsidiary companies	Other investments	Shared equity property	Total
	£'000	£'000	£'000	£'000
14. Non-current investments				
Consolidated				
As at 1 August 2017	-	34,629	1,819	36,448
Additions	-	1	-	1
Disposals	-	(16)	(658)	(674)
Transfers to investment in associates (note 15)	-	(297)	-	(297)
Transfers to current investments	-	(1,534)	-	(1,534)
Change in fair value of managed investment portfolio	-	566	-	566
Change in fair value of other investments	-	(871)	-	(871)
Management fee on managed investment portfolio	-	(229)	-	(229)
As at 31 July 2018	<u>-</u>	<u>32,249</u>	<u>1,161</u>	<u>33,410</u>
University				
As at 1 August 2017	3,516	34,324	1,819	39,659
Additions	-	1	-	1
Disposals	-	(16)	(658)	(674)
Transfers to investment in associates (note 15)	-	(297)	-	(297)
Transfers to current investments	-	(1,534)	-	(1,534)
Change in fair value of managed investment portfolio	-	566	-	566
Change in fair value of other investments	-	(838)	-	(838)
Management fee on managed investment portfolio	-	(229)	-	(229)
As at 31 July 2018	<u>3,516</u>	<u>31,977</u>	<u>1,161</u>	<u>36,654</u>

During the year, Queen Mary sold its investment in three shared equity properties for £1,152,609, a profit of £495,109.

Notes to the financial statements (continued)

for the year ended 31 July 2018

14. Non-current investments (continued)

	As at 31 July 2018 Consolidated £'000	As at 31 July 2018 University £'000
Other non-current investments consist of:		
hVIVO plc	1,514	1,365
Actual Experience plc	7,041	6,918
Biomoti Limited	110	110
Landr Audio Inc	1,063	1,063
CVCP Properties	53	53
Managed Investment Portfolio - Permanent Endowment Funds:		
Fixed interest stocks	9,420	9,420
Equities	9,994	9,994
Other investments	3,054	3,054
	32,249	31,977

Quoted investments are valued at market price at the balance sheet date.

15. Investment in associates	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
As at 1 August 2017	94	1	58	1
Additions	-	-	-	-
Transfer from non-current investments (note 14)	297	297	-	-
Share of profit/(loss)	33	-	(6)	-
Change in reserves	(122)	-	42	-
As at 31 July 2018	302	298	94	1

Notes to the financial statements (continued)

for the year ended 31 July 2018

15. Investment in associates (continued)

Queen Mary University of London holds directly the following shares in associate companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Biomin Technologies Limited	England	Ordinary	26.30%	Dental materials
Chromosol Limited	England	Ordinary	48.40%	Optical amplifier technology
Degrasense Limited	England	Ordinary	47.70%	Industrial biosensors
Emdot Limited	England	Ordinary	27.60%	Inkjet printing technology
StealthyX Therapeutics Limited	England	Ordinary	43.30%	Drug delivery
Touchkeys Instruments Ltd	England	Ordinary	31.80%	Musical instruments
Varydose Limited	England	Ordinary	25.00%	Pharmaceutical dispensing
Vision Semantics Limited	England	Ordinary	37.00%	CCTV analytics
Warblr Limited	England	Ordinary	33.30%	Software development
William Harvey Research Limited	England	Ordinary	40.00%	Research

Queen Mary University of London holds indirectly the following shares in associate companies:

Vision Semantics (HK) Limited	Hong Kong	Ordinary	37.00%	CCTV analytics
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Queen Mary Innovation Limited holds directly the following shares in associate companies:

Abonetics 2000 Limited	England	Ordinary	50.00%	Intellectual property
Abonetics 2000 Limited	England	Preference	100.00%	Intellectual property

Notes to the financial statements (continued)

for the year ended 31 July 2018

16. Trade and other receivables	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grant receivables	30,290	30,240	24,843	24,827
Other trade receivables	19,646	19,576	18,909	18,700
Other receivables	1,721	1,696	995	923
Prepayments and accrued income	9,232	8,828	8,444	8,401
Amounts due from subsidiary companies	-	2,771	-	1,004
Amounts due from associate companies	43	43	74	74
	60,932	63,154	53,265	53,929
Amounts falling due after one year:				
Other receivables	-	-	306	-
	60,932	63,154	53,571	53,929

Amounts due from associate companies are trading balances.

Amounts due from subsidiaries include inter-company balances of £2,227,639 with QMUL Malta Ltd and £394,110 with Queen Mary Innovation Ltd which are repayable on demand. The remaining £149,282 is a trading balance.

17. Current investments	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Current investments				
As at 1 August 2017	10,022	10,022	10,657	10,657
Additions	3	3	117	117
Disposal	(337)	(337)	(1,009)	(1,009)
Transfers from non-current investments	1,534	1,534	-	-
Gain on revaluation	271	271	355	355
Management fees	(109)	(109)	(98)	(98)
As at 31 July 2018	11,384	11,384	10,022	10,022
Current investments consist of:				
Equities	5,064	5,064	4,283	4,283
Fixed interest stocks	4,773	4,773	4,502	4,502
Other investments	1,547	1,547	1,237	1,237
	11,384	11,384	10,022	10,022

All current investments are held as part of a managed investment portfolio.

Notes to the financial statements (continued)

for the year ended 31 July 2018

18. Creditors: amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured Loans	370	-	-	-
Unsecured loans	937	937	904	904
Obligations under finance leases	496	496	976	976
Trade payables	17,017	16,866	13,175	13,141
Social security and other taxation payable	5,830	5,766	5,568	5,524
Research grants/contracts in advance	53,946	53,947	56,316	56,316
Accruals and deferred income	34,224	33,568	22,272	21,625
Amounts owed to subsidiaries	-	3,298	-	3,266
Other creditors	7,189	6,669	7,139	6,834
	120,009	121,547	106,350	108,586

Amounts due to subsidiaries includes £3,150,841 due to QMW Developments Ltd which is repayable on demand. The remaining £147,282 is a trading balance.

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

Grant income	1,969	1,969	1,092	1,012
Other income	4,700	4,700	3,330	3,330
	6,669	6,669	4,422	4,342

Notes to the financial statements (continued)

for the year ended 31 July 2018

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

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Obligations under finance leases		186	186	682	682
Secured loans		16,611	-	16,981	-
Unsecured loans		72,895	72,895	80,832	80,832
Other creditors		11,768	11,768	10,217	10,217
		101,460	84,849	108,712	91,731
Analysis of secured and unsecured loans:					
Due within one year or on demand	18	1,307	937	904	904
Due between one and two years		22,722	21,953	15,937	15,937
Due between two and five years		6,644	3,149	18,599	16,016
Due in five years or more		60,140	47,793	63,277	48,879
Due after more than one year		89,506	72,895	97,813	80,832
Total secured and unsecured loans		90,813	73,832	98,717	81,736
Unsecured loans repayable by 2018		-	-	15,000	15,000
Unsecured loans repayable by 2020		21,000	21,000	13,000	13,000
Unsecured loans repayable by 2042		52,832	52,832	53,736	53,736
Secured loans repayable by 2034		16,981	-	16,981	-
		90,813	73,832	98,717	81,736

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
Unsecured				
Lloyds Bank PLC	45,318	2042	5.01	Queen Mary University of London
Lloyds Bank PLC	7,514	2042	0.18 above LIBOR	Queen Mary University of London
Royal Bank of Scotland	21,000	2020	0.50 above LIBOR	Queen Mary University of London
	73,832			
Secured				
Barclays Bank PLC	16,981	2034	5.27	Queen Mary Bioenterprises Ltd
Total	90,813			

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 is secured on the Innovation Centre which has a net book value at 31 July 2018 of £11,689,600.

The loan facility is for 27 years to 2034 and £16.475m of the facility has been drawn down. Interest is fixed at a rate of 5.27% p.a. Interest has been accrued and added to the drawn down loan principal for the period to September 2008. From December 2008, and until the end of the loan facility, interest is paid quarterly in arrears. The loan principal and accrued interest to September 2008 is to be repaid by quarterly instalments from March 2019 and until the end of the loan facility. The loan facility is guaranteed by Queen Mary University of London.

Notes to the financial statements (continued)

for the year ended 31 July 2018

20. Pension Provisions

Consolidated and University	Obligation to fund deficit on USS pension £'000	Obligation to fund deficit on SAUL pension £'000	Defined benefit pension obligation £'000	Total pension provisions £'000
As at 1 August 2017	38,630	607	252	39,489
Contributions paid for deficit recovery plan	(2,771)	(613)	(34)	(3,418)
Change in assumptions	859	-	-	859
Unwinding of discount	726	6	-	732
Actuarial gain	-	-	(56)	(56)
Net return on assets	-	-	(24)	(24)
As at 31 July 2018	37,444	-	138	37,582

USS deficit

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

In accordance with the requirements of the SORP, Queen Mary currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 13 years remain. This provision, which has been discounted at a rate of 2.185% as at 31 July 2018, is included above.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed regarding future deficit contributions and their duration. The University expects to have greater clarity in this respect during the 2018-19 financial year. Based on the inputs to the provision model, the following sensitivity analysis outlines the potential impact on the existing liability of £37.4 million (assuming the same discount rate of 2.185%).

Potential obligation to fund USS deficit under the following recovery plan scenarios:

	13 years (as per existing recovery plan) £'000	16 years (additional 3 years) £'000	19 years (additional 6 years) £'000
2.1% contribution to deficit (as per existing recovery plan)	37,444	46,545	50,615
3.1% contribution to deficit (additional 1%)	52,366	65,093	70,786
6.0% contribution to deficit (additional 3.9%)	87,932	109,303	118,862

Notes to the financial statements (continued)

for the year ended 31 July 2018

20. Pension provisions (continued)

SAUL deficit

The obligation to fund the past deficit on the Superannuation Arrangements of the University of London (SAUL) arose from the contractual obligation with the pension scheme for total payments that related to benefits arising from past performance.

The deficit recovery plan was completed in 2017/18 and no further provision is required.

Defined benefit pension

The defined benefit pension obligation relates to the actuarial deficit on the London Hospital and St Bartholomew's Hospital medical colleges pension scheme. Queen Mary has agreed a plan to reduce the actuarial deficit by annual payments on 1 August each year, starting at £32,000, and rising each year in line with the Consumer Prices Index (CPI) to the previous September, with the shortfall targeted to be eliminated by 31 July 2022.

21. Financial instruments	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets				
Measured at fair value through income and expenditure				
Managed Investment Portfolio	33,851	33,851	33,702	33,702
Listed non-current investments	8,282	8,282	9,140	9,140
Measured at amortised cost				
Cash and cash equivalents	20,947	18,265	18,085	15,888
Measured at undiscounted amount receivable				
Research grant receivables	30,290	30,240	24,843	24,827
Trade and other receivables	21,367	21,272	20,210	19,623
Equity instruments measured at cost less impairment				
Shares not listed	1,226	4,742	1,504	5,020
Investments in Associates	302	298	94	1
	116,265	116,950	107,578	108,201
Financial liabilities				
Debt instruments measured at amortised cost				
Loans payable	90,813	73,832	98,717	81,736
Finance Leases	682	682	1,658	1,658
Measured at undiscounted amount payable				
Trade and other payables	17,017	16,866	13,175	13,141
	108,512	91,380	113,550	96,535

Notes to the financial statements (continued)

for the year ended 31 July 2018

22. Endowment reserves

Restricted net assets relating to endowments are as follows:

Consolidated	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
As at 1 August 2017					
Capital	22,155	1,509	-	23,664	23,027
Accumulated income	1,253	-	9,349	10,602	7,240
	<u>23,408</u>	<u>1,509</u>	<u>9,349</u>	34,266	30,267
Recategorisation - capital	(1,929)	395	-	(1,534)	-
Recategorisation - accumulated income	(35)	-	1,569	1,534	3,559
	<u>21,444</u>	<u>1,904</u>	<u>10,918</u>	34,266	33,826
New endowments	1	-	2	3	128
Increase in market value of investments	520	46	271	837	1,260
Management fee applied to Capital	(210)	(19)	(109)	(338)	(348)
Investment income	215	19	112	346	383
Expenditure	(256)	(19)	(812)	(1,087)	(1,065)
Repayment of Benevolence Loans	80	-	-	80	82
	<u>350</u>	<u>27</u>	<u>(536)</u>	(159)	440
Total endowment comprehensive income for the year					
	<u>21,794</u>	<u>1,931</u>	<u>10,382</u>	34,107	34,266
As at 31 July 2018					
Represented by:					
Capital	20,537	1,931	-	22,468	23,680
Accumulated income	1,257	-	10,382	11,639	10,586
	<u>21,794</u>	<u>1,931</u>	<u>10,382</u>	34,107	34,266
Analysis by type of purpose:					
Centre for Commercial Law Studies	14,558	-	1,221	15,779	15,663
Lectureships	432	-	75	507	496
Scholarships and bursaries	4,275	-	1,472	5,747	5,693
Research support	530	1,531	5,022	7,083	7,175
Prize funds	1,670	-	19	1,689	1,668
General	329	400	2,573	3,302	3,571
	<u>21,794</u>	<u>1,931</u>	<u>10,382</u>	34,107	34,266

Notes to the financial statements (continued)

for the year ended 31 July 2018

22. Endowment reserves (continued)

	2018	2017
	£'000	£'000
Analysis by asset:		
Current and non-current asset investments	33,851	33,702
Cash and cash equivalents	256	564
	34,107	34,266

Two endowments were reclassified in the year and the opening balances have been adjusted to reflect this:

The balance accumulated in the Yarrow fund was moved from Expendable to Unrestricted Permanent to correctly reflect the original terms of the fund; and the ARUK Chair Fund was reclassified from Permanent Restricted to Expendable following approval of new terms for the fund by the original donor Arthritis UK.

23. Restricted reserves

Reserves with restrictions are as follows:

Consolidated	2018	2017
	Donations	Donations
	£'000	£'000
As at 1 August 2017	2,935	4,723
Transfers to endowments	-	(1,814)
	2,935	2,909
New grants	1,108	1,268
New donations	745	1,047
Investment income	-	-
Capital grants utilised	-	-
Expenditure	(2,109)	(2,289)
Increase in market value of investments	-	-
Total restricted comprehensive income for the year	(256)	26
As at 31 July 2018	2,679	2,935

Analysis of restricted funds by type of purpose:

Scholarships and bursaries	442	579
Research support	1,367	1,700
Other	870	656
	2,679	2,935

24. Cash and cash equivalents

Consolidated	As at 1 August	Cash flows	As at 31 July
	2017		2018
	£'000	£'000	£'000
Cash and cash equivalents	18,085	2,862	20,947
Bank overdraft	-	-	-
	18,085	2,862	20,947

Notes to the financial statements (continued)

for the year ended 31 July 2018

25. Capital and other commitments

Provision has not been made for the following capital commitments:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	5,336	5,336	13,981	13,981

Commitments contracted for above includes commitments for intangible assets and fixed assets.

26. Contingent liabilities

Queen Mary University of London 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 2018 the value of the drawdowns including bank interest stood at £16,981,157 (2017: £16,981,157). The University'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 grant would become a liability in the event of the company being unable to meet the terms of the grant agreement. As at 31 July 2018 the value of the government grant received stood at £7,000,000 (2017: £7,000,000).

27. Lease obligations

Total rentals payable under operating leases:

	As at 31 July 2018			As at 31 July 2017	
	Land and buildings	Plant and machinery	Total	Total	
	£'000	£'000	£'000	£'000	
Payable during the year	2,478	1,950	4,428	4,830	
Future minimum lease payments due:					
Not later than 1 year	2,334	583	2,917	3,287	
Later than 1 year and not later than 5 years	7,852	504	8,356	8,079	
Later than 5 years	7,732	-	7,732	8,732	
Total lease payments due:	17,918	1,087	19,005	20,098	

Notes to the financial statements (continued)

for the year ended 31 July 2018

28. Subsidiary undertakings

Queen Mary University of London holds directly the following shares in subsidiary companies:

	Country of registration	Equity holding	Proportion held	Principal activity
People's Palace Projects	England	Limited by guarantee	100%	Participatory arts charity
Queen Mary Innovation Limited	England	Ordinary	100%	Holding Company
Queen Mary Innovation Limited	England	Preference	100%	Holding Company
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48%	Smart antennas for wireless networks
Queen Mary University of London Holdings Limited	Malta	Ordinary	100%	Holding Company
Queen Mary University of London - Malta Limited	Malta	Ordinary	100%	Provision of education

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

Nanoforce Technology Limited	England	Ordinary	100%	Micro and nanotechnology facility
Q.M.W. Developments Limited	England	Ordinary	100%	Property development
Queen Mary Bioenterprises Limited	England	Ordinary	100%	Developing Innovation Centre
Queen Mary Research and Consulting (Hong Kong) Limited	Hong Kong	Ordinary	100%	Supporting University activities
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	52%	Smart antennas for wireless networks

Queen Mary Research and Consulting (Hong Kong) Limited holds directly the following shares in subsidiary companies:

Mary Education Management Advisory (Beijing) Co. Limited	China	Ordinary	100%	Supporting University activities
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Whilst the University 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 University. Queen Mary University of London Foundation is registered in England.

Notes to the financial statements (continued)

for the year ended 31 July 2018

29. Pension schemes

The three principal pension schemes for Queen Mary's staff are the Superannuation Arrangements of the University of London (SAUL), the Universities Superannuation Scheme (USS) and the NHS Public Service Scheme (NHS). The University also operates a closed scheme for the non-teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges prior to their merger with the University.

The University's contributions to the schemes are shown below:

	At 31 July 2018		
	USS %	SAUL %	NHS %
Employees' contributions - final salary scheme	n/a	n/a	5 - 14.5*
Employees' contributions - career revalued benefits scheme	8.0	6.0	5 - 14.5*
Employer's contributions	18.0	16.0	14.4

	At 31 July 2017		
	USS %	SAUL %	NHS %
Employees' contributions - final salary scheme	n/a	n/a	5 - 14.5*
Employees' contributions - career revalued benefits scheme	8.0	6.0	5 - 14.5*
Employer's contributions	18.0	16.0	14.4

* tiered contribution rates depending on salary

	2018 £000	2017 £000
Contribution to USS	23,749	22,515
Contribution to SAUL	4,164	3,891
NHS Public Service Scheme	2,381	2,256
Contribution paid to other pension schemes	3	1
	<u>30,297</u>	<u>28,663</u>

At 31 July 2018 £3,836,000 (2017: £3,665,000) of pension payments were outstanding which were paid when due in August. There were no prepayments in either year.

(i) USS

Queen Mary participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised. The University's USS pension liability at 31 July 2018 is £37,444,225 (2017: £38,629,933) see pension provision note 20.

Notes to the financial statements (continued)

for the year ended 31 July 2018

29. Pension schemes (continued)

FRS102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry wide scheme such as the USS scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS102. The University is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements. The latest available complete actuarial valuation of the Retirement Builder section of the scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the University cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in the figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	Pre-retirement: 98% of SAPS S1NA "light" YOB unadjusted for males
	Post-retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	Post-retirement: 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females	CMI_2014 with a long term rate of 1.5% p.a.

Notes to the financial statements (continued)

for the year ended 31 July 2018

29. Pension schemes (continued)

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 years	24.5	24.4
Females currently aged 65 years	26.0	26.6
Males currently aged 45 years	26.5	26.5
Females currently aged 45 years	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS102 total scheme deficit	£8.4bn	£17.5bn
FRS102 total funding level	88%	77%

(ii) SAUL

The University participates in the Superannuation Arrangements of the University of London (“SAUL”), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (“CARE”) basis.

The University is not expected to be liable to SAUL for any other current participating employer’s obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

SAUL’s statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL’s benefits as they fall due (the “Technical Provisions”). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members’ accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL’s position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2018 and are due to be reviewed at SAUL’s next formal valuation in 2020.

At the 31 March 2017 valuation SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The Trustee and the Employers have agreed that the ongoing Employers’ contributions will continue at a rate of 16% of CARE salaries. The University is a participating employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL’s assets was £3,205 million representing 102% of the liabilities for benefits accrued up to 31 March 2017.

It is not possible to identify an individual employer’s share of the underlying assets and liabilities of SAUL. The University accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS102.

As there was a Technical Provisions surplus at 31 March 2017 there is no defined benefit liability (i.e. the present value of any deficit contributions due to SAUL) to be recognised by the University.

Notes to the financial statements (continued)

for the year ended 31 July 2018

29. Pension schemes (continued)

(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 University to identify its share of the underlying scheme assets and liabilities. The University therefore accounts for its pension costs on a defined contribution basis as permitted by FRS102.

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 University 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 University, 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 2015. At that date the value of the assets was lower than the actuarial valuation by £249,000. The University has agreed a plan to reduce the actuarial deficit by annual payments of £32,000 on 1 August each year, rising each year in line with the Consumer Prices Index (CPI) to the previous September, with the shortfall targeted to be eliminated by 31 July 2022. The University meets the ongoing running expenses of the scheme together with any PPF levies.

The movement in the deficit in the year was:

	Value at 31 July 2018	Value at 31 July 2017
	£'000	£'000
Deficit in scheme at 1 August	(252)	(414)
Contribution by employer	34	33
Current service cost	(7)	(9)
Return on assets excluding interest income	31	41
Actuarial gain / (loss)	56	97
Deficit in scheme at 31 July	(138)	(252)

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 St Bartholomew's Hospital section are fixed at 3% per annum. £80,000 has been credited to the income and expenditure account in the year (2017: £129,000).

(v) Defined contribution scheme

One of the University's subsidiaries offered a defined contribution scheme to its staff. The cost for the year was £2,940 (2017: £1,000). There were no outstanding contributions or prepaid contributions at the balance sheet date.

Notes to the financial statements (continued)

for the year ended 31 July 2018

30. Related party disclosures

Transactions between Queen Mary 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 University's operations and the composition of the Council and Senior Executive (being drawn from public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Executive will have an interest. All such transactions are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures.

Name	Position at Queen Mary	Description of appointment	Related party	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
Prof Colin Bailey	Principal	Director	The Russell Group of Universities	0	75	0	0
Prof Colin Bailey	Principal	Director	UCL Partners	55	104	4	4
Prof Simon Gaskell	Principal	Director	UCL Partners	55	104	4	4
Prof Edmund Burke	Vice Principal	Member of Strategic Advisory Team	EPSRC	8,238	0	0	0
Nadim Choudhary	Audit & Risk Committee	Associate Director	Ove Arup and Partners Ltd	0	501	0	71
Nadim Choudhary	Audit & Risk Committee	Audit & Risk Board Member	Newham Council	20	43	24	0
Lord Clement-Jones CBE	Chair of Council	Board Member	Corporate Finance Faculty of the ICAEW	12	0	0	0
Sarah Cows	Member of Council	Director	QMSU Services Ltd	108	122	552	13
Mr Yasir Yeahia	Member of Council	Director	QMSU Services Ltd	108	122	552	13
Mr Ahmed Mahbub	Member of Council	Director	QMSU Services Ltd	108	122	552	13
Prof Simon Gaskell	Principal	Chairman	Higher Education Statistics Agency	0	6	0	0
Prof Simon Gaskell	Principal	Chairman	Hesa Services Ltd	0	40	0	0
Prof Simon Gaskell	Principal	Board Member	Universities UK	7	42	0	0
Prof Colin Grant	Vice Principal	UUK International Strategic Advisory Board	Universities UK	7	42	0	0
Prof Simon Gaskell	Principal	Trustee	University of London	588	3,770	62	19

Notes to the financial statements (continued)

for the year ended 31 July 2018

30. Related party disclosures (continued)

Name	Position at Queen Mary	Description of appointment	Related party	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
Laura Gibbs	Member of Executive Board	Advisor to Finance & Resources Board	Royal College of Physicians	0	2	0	0
Celia Gough	Member of Council	Director	Veolia Group Companies	0	40	0	4
Prof Matthew Hilton	Vice Principal	Advisory Board Member	AHRC	848	0	0	0
Joanne Jones	Member of Executive Board	Trustee	LHMC pension scheme	87	7	0	138
Joanne Jones	Member of Executive Board	Finance Committee Member	UCAS	0	137	0	0
Isabelle Jenkins	Member of Council	Partner	PwC LLP	20	106	0	2
Prof Rebecca Lingwood	Vice Principal	Trustee	Medical College of St Bart's Hospital Trust	466	0	56	0
Prof Rebecca Lingwood	Vice Principal	Trustee	Daphne Jackson Trust	0	7	0	0
Prof Peter McOwan	Vice Principal	Governor	St Paul's Way Trust School	8	118	0	0
Prof Steve Thornton	Vice Principal	Exec Committee Member	Medical Schools Council	0	32	0	4
Prof Steve Thornton	Vice Principal	Board Member	Barts NHS Trust	14,371	3,424	1,782	54
Prof Steve Thornton	Vice Principal	Trustee	Wellbeing of Women	30	0	0	0
Prof Steve Thornton	Vice Principal	Trustee	William Harvey Research Foundation	52	0	7	0
David Willis	Chair of Audit & Risk Committee	Director	Paradigm Trust	7	0	0	0
Yasir Yeahia	Member of Council	Chair of Trustees	Queen Mary Students' Union	59	2,308	495	183
Mr Ahmed Mahbub	Member of Council	Chair of Trustees	Queen Mary Students' Union	59	2,308	495	183

Details of amounts due from associate companies can be found in Note 16 Trade and other receivables.

Notes to the financial statements (continued)

for the year ended 31 July 2018

31. Post balance sheet events

Private placement

On 12 October 2018 Queen Mary launched to market a Private Placement issue of Senior Unsecured Notes with a final maturity of 30-40 years. The proceeds will be utilised to refinance the existing revolving credit facilities and following repayment, for general corporate purposes including investment in the estate. At the date of signing the financial statements, bids have been received from potential investors for £160m with legal close expected during December 2018.

Student accommodation operating lease

On 11 September 2018 the University entered into a 25 year operating lease for student accommodation in Stratford, East London which will provide 445 bed spaces that are available 52 weeks a year. The first year lease payments amount to £2,752,616 with a further sum of £841,182 for the annual service charges, which includes payments towards a sinking fund and utilities.



Council and audit and risk committee membership

The members of Council and the members of Audit and Risk Committee who served in the financial year, or up to the date of signing of this report.

Council membership

Chair	Lord Clement-Jones CBE
Treasurer	Mr Simon Linnett (tenure ended 28/10/17) Mr Luke Savage (appointed 29/10/17)
Vice-Chair	Mr John Yard (resigned 19/10/17) Ms Monica Chadha (appointed 20/10/17)

Ex officio members

The President and Principal	Professor Simon Gaskell (resigned 31/08/17) Professor Colin Bailey (appointed 01/09/17)
The President of the Students' Union 2017/18	Yasir Yeahia (tenure 01/08/17 to 31/07/18)
The President of the Students' Union 2018/19	Ahmed Mahbub (tenure 01/08/18 to 31/08/19)

Nominees of the President and Principal

		Tenure ends
Vice-Principal, Research	Professor Bill Spence	10/10/20
Vice-Principal, School of Medicine and Dentistry	Professor Steve Thornton	16/02/20

Elected members (staff)

Professor Paul Anderson (tenure ended 30/09/17)	30/09/17
Professor Richard Ashcroft (tenure ended 30/09/18)	30/09/18
Ms Sarah Cows	01/09/20
Professor Alison Blunt (appointed 30/09/18)	30/09/22
Dr Darryn Mitussis (appointed 30/09/17)	30/09/21
Dr Mangala Patel (appointed 30/09/17)	30/09/21
Professor Wen Wang (appointed 30/09/17)	30/09/21
Professor Jane Wills (resigned 30/09/17)	30/09/17

Council and audit and risk committee membership

Council membership (continued)

External members	Tenure ends
Ms Kathryn Barrow	31/12/20
Dr Veronique Bouchet	31/12/19
Ms Monica Chadha	05/02/20
Lord Clement-Jones CBE	30/04/21
Ms Celia Gough	01/09/20
Ms Stella Hall	06/07/19
Ms Isabelle Jenkins (appointed 07/01/18)	07/01/22
Mr Simon Linnett (tenure ended 28/10/17)	28/10/17
Ms Bushra Nasir	31/08/21
Mr Luke Savage	31/01/22
Mr Peter Thompson (appointed 29/11/17)	29/11/21
Mr David Willis	31/12/21
Mr John Yard (tenure ended 31/08/18)	31/08/18

Audit and risk committee membership

Chairman (an external member of Council)

Mr David Willis

Up to four other external members of Council

Ms Kathryn Barrow

Ms Monica Chadha

Mr Peter Thompson

Up to two co-opted members

Ms Melissa Tatton

Mr Nadim Choudhary

Senior executive membership

The members of the Senior Executive who served in the financial year, or up to the date of signing of this report.

Chair

President and Principal	Professor Simon Gaskell (resigned 31/08/17)
	Professor Colin Bailey (appointed 01/09/17)

Other members

Vice-Principal and Executive Dean (Science and Engineering)	Professor Edmund Burke (resigned 30/06/18)
Vice-Principal and Executive Dean (Science and Engineering)	Professor Wen Wang (appointed 02/07/18)
Vice-Principal and Executive Dean (Humanities and Social Sciences)	Professor Matthew Hilton
Vice-Principal and Executive Dean (Student Experience, Teaching and Learning)	Professor Rebecca Lingwood (resigned 15/06/18)
Interim Vice-Principal (Education)	Professor Stephanie Marshall (appointed 19/06/18)
Vice-Principal (Public Engagement and Student Enterprise)	Professor Peter McOwan
Vice-Principal (International)	Professor David Sadler (resigned 31/08/17)
Vice-Principal (International)	Professor Colin Grant (appointed 16/04/18)
Vice-Principal (Research)	Professor Bill Spence
Vice-Principal and Executive Dean (Health)	Professor Steve Thornton
Chief Strategy Officer	Mr Dean Curtis (resigned 30/11/17)
Chief Operating Officer	Ms Laura Gibbs (resigned 09/10/18)
Finance Director	Ms Joanne Jones (appointed 12/09/17)



Queen Mary
University of London

This report has been produced by
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Queen Mary University of London is a company
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