



Analysis of 2018-19 Financial Results

Outcome requested:	Finance and Investment Committee is invited to note the analysis of the 2018/19 financial results and to recommend approval of the Financial Statements to Council for onward submission to the Office for Students.
Executive Summary:	<p>This report comprises of :</p> <p>Appendix 1 –An analysis of the 2018/19 financial performance, including comparisons with:</p> <ul style="list-style-type: none"> • P12 management accounts, as presented at the September 2019 meeting of FIC and • the 2017/18 full year results <p>Appendix 2 – The 2018-19 Financial Statements.</p> <p>The Financial Statements presented are subject to final review by the External Audit in particular:</p> <ul style="list-style-type: none"> • A review of the commentary supporting the financial statements. • Remuneration justification for Principal’s salary. This is being considered by Remuneration Committee on 31 October 2019 and will be provide to the auditors following this meeting. • Lease classification and valuation to prove the operating lease treatment for the Stratford student residence transaction. • Malta intercompany debt and whether the University should be providing for this.
QMUL Strategy:	Achieve enhanced investment in resources and facilities, for the benefit of students and staff, with an appropriate balance of contributions from across all components of QMUL.
Strategic Risks	<p>Sustainable income streams for activities</p> <ul style="list-style-type: none"> • Volume and margin achieved through the delivery of teaching activity • Surplus levels achieved in support of Capital funding • Sustaining and developing commercial income • Sustaining and increasing teaching income <p>Cost control, VFM and Expenditure</p>
Subject to Prior and Onward Consideration by:	SET November 2019 FIC November 2019
Equality Impact Assessment:	None Required
Confidential paper under FOIA/DPA	No

Timing:	Annual
Author(s) :	Andrew Gladin, Deputy Director of Finance
Date:	29 th October 2019
Senior Management/External Sponsor:	Joanne Jones, Director of Finance and Resources

Appendix 1

Reconciliation to P12 Management Accounts

Following the publication of the P12 management accounts there were two further notable amendments to the 2018/19 results:

1. An adjustment for the disposal of IT assets, identified as part of the asset verification exercise
2. The writing down to £nil of the two buildings scheduled for demolition during 2019-20 as part of the new SBM / Teaching Building capital project.

This resulted in the deficit reported to FIC in September 2019 increasing from (£47.3m) to (£49.9m) as follows:

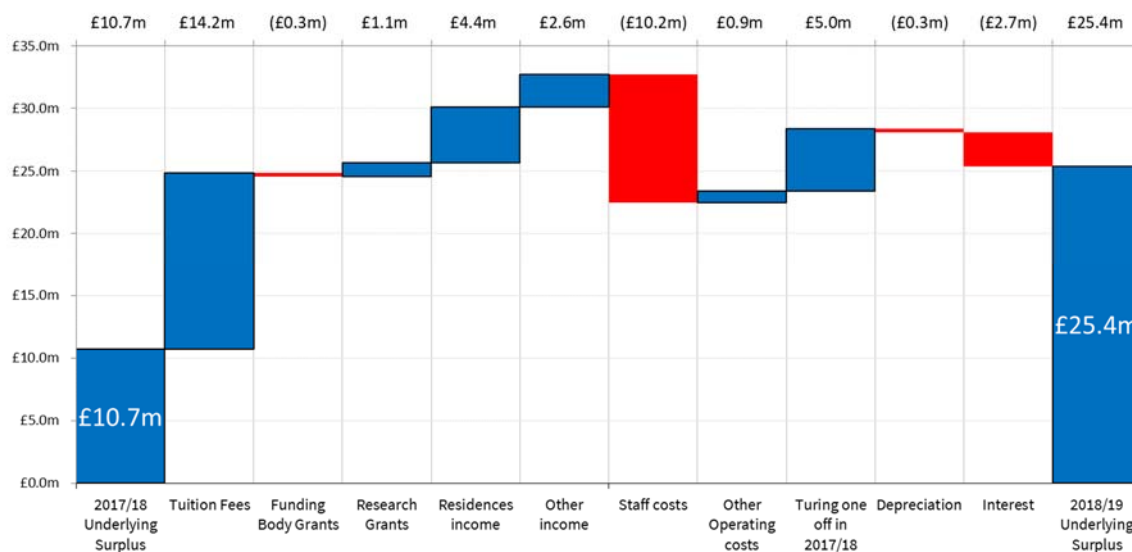
	£m
2018/19 pre-audit as reported to September FIC	-47.3
IT asset disposal	-0.9
Write down of Hatton House	-1.9
Write down of Arts Research Centre	-0.1
Other small year end differences	0.1
Deficit for the Year	-49.9

Year on Year Analysis

This analysis focusses on the underlying Surplus / (Deficit) before other gains / (losses) and share of operating profit /(loss) of associates, adjusted for the movement on pension provisions. The comparators are:

£m	2017/18	2018/19
Surplus / (deficit) before other gains	13.2	(41.4)
Adjust for pension provision movements	(2.5)	68.4
Surplus before other gains and pension provision movements	10.7	25.4
2018/19 v 2017/18 Variance £m		+14.7

The key components of the year on year change are summarised below:



Overall

There were two material year on year changes which had an impact on both income and expenditure:

- New Halls of Residence:** Our new student residence at Aspire point opened in September 2018. This generated income of £3.7m, with lease and associated costs of £3.4m, generating a contribution of £0.3m
- Research:** As reported to FIC in September 2019, there was an over-accrual of £4m research partner costs in 2017-18 which was reversed in 2018-19. This created an £8m year on year change in both research income, and research other operating costs (net impact on surplus in both years £nil).

£m	As reported		Adjust for 2017/18 error		Restated	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Research Income	93.5	90.2	-4.0	4.0	89.5	94.2
Research Overheads	11.5	14.8			11.5	14.8
Research Capital Grants	2.0	3.1			2.0	3.1
Total Research Income	107.0	108.1	-4.0	4.0	103.0	112.1
Direct Costs						
Research Pay	53.9	56.7			53.9	56.7
Research Other Operating Costs	41.0	34.2	-4.0	4.0	37.0	38.2
Total research expenditure	94.9	90.9	-4	4	90.9	94.9
Research Contribution	12.1	17.2	0.0	0.0	12.1	17.2
Less: capital expenditure funded by research	-2.0	-3.1	0.0	0.0	-2.0	-3.1
Net cash contribution	10.1	14.1	0.0	0.0	10.1	14.1

Income

Tuition fees

The growth in tuition fees was driven by increases in overseas student numbers and fee increases for overseas students. Fee income from international students increased by 12% year on year to £112.2m and now represent 45% of our total tuition fee income and 23% of our total income (2017/18: 22%). Of this overseas fee income, £14.6m (2017/18: £12.7m) was generated from our three partnerships in China.

Research Income

Research income increased by a net £1.1m which included the reversal of the 2017-18 overstatement. The year on year movement can be summarised as:

	£m
2017-18 overstatement reversed in 2018-19	-8.0
Increase in capital funded by research	1.1
<u>Underlying increase in research income</u>	<u>8.0</u>
Net year on year increase	1.1

Residences Income

The growth in residence income includes £3.7m from the new halls of residence at Aspire Point in Stratford. There was a corresponding increase of £3.3m in operating expenditure.

Expenditure

Staff Costs

Staff costs increased by 3.9%, reflecting a 3.2% increase in average FTE, wage inflation and increases in employer's pension contributions, which increased for the USS and NHS schemes in April 2019, with a part year cost of £0.7m. Compensation for loss of office increased to £1.5m at an average of £10.1k per person. The increase was driven by restructuring in a number of central professional services directorates.

Staff Costs £m	2017/18	2018/19	Variance
Salaries	206.7	214.4	3.7%
Social security costs	21.2	21.8	2.8%
Movement in holiday pay accrual	0.3	(0.1)	-128.8%
Other pension costs	30.3	32.1	5.9%
Compensation for loss of office	1.0	1.5	46.0%
Total Before Pension Provision Movements	259.4	269.6	3.9%

Other Operating Costs

The net decrease in Other Operating Costs of £0.9m comprises:

Year on Year Change:	£m
Increase in Research Expenditure	1.2
Overstatement of Research Costs in 2017/18	-8.0
Cost of new Residences in Stratford	3.4
Costs funded by capital budgets	0.9
Overseas agents fees	0.5
Other	1.1
Total Movement in Other Operating Costs	-0.9

The "Other" movement comprises inflationary and volume related increases in expenditure, and represents a c.0.6% increase year on year.

Balance Sheet

The most significant movements on the balance sheet are the changes in borrowings and cash which resulted from the private placement, and the movement in the USS pension provision following the conclusion of the 2017 valuation. The detail for these changes are set out in full in the statutory accounts, but are summarised below, together with any notable balance sheet movements.

£m	Year ended 31st July			Note
	2018	2019	Variance	
Non Current Assets	646.6	647.8	1.2	
Current Assets				
Stock and Trade Debtors	61.3	61.7	0.4	
Investments	11.4	10.4	(1.0)	
Cash on Deposit (> 3 months)		110.5	110.5	1
Cash and Cash Equivalents	20.9	61.6	40.7	
Total Current Assets	93.6	244.2	150.6	
Creditors due < 1 year				
Loans and Leases	(1.8)	(1.9)	(0.1)	2
Trade Creditors	(17.0)	(14.1)	2.9	3
Taxes	(5.8)	(5.8)	0.0	
Research grants in advance	(53.9)	(57.3)	(3.3)	
Accruals and Deferred Income	(34.2)	(28.8)	5.4	4
Other Creditors	(7.2)	(7.7)	(0.6)	
Total Creditors < 1 year	(120.0)	(115.6)	4.4	
Creditors due > 1 year				
Loans and Leases	(89.7)	(226.8)	(137.1)	2
Other Creditors	(11.8)	(11.1)	0.7	
Total Creditors > 1 year	(101.5)	(237.9)	(136.4)	
Pensions and Other Provisions	(37.6)	(106.8)	(69.2)	5
Net Assets	481.1	431.7	(49.4)	

1. The £160m proceeds from the private placement are being used to fund capital projects which support growth. Excess funds, not required in the short term, are being held on deposit with UK banks and building societies.

2. The total increase in borrowings of £137.2m comprises:

	£m	< 1 yr	> 1yr
Borrowings at 31st July 2018	91.5	1.8	89.7
Repayment of revolving credit	-21.0		
New long term borrowings	160.0		
Scheduled repayments of existing borrowings	-1.8		
Borrowings at 31st July 2019	228.7	1.9	226.8

3. Trade Creditors. There were no notable changes in particular trade creditors or types of trade creditors.

4. Accruals and Deferred Income: The movement in accruals and deferred income relates primarily to the over accrual of research costs in 2017/18 (£4m) and the release of one year of the accrual for the Turing Institute (£1m) which was accrued in full (£5m) at 31st July 2018.

5. Pensions: the balance sheet at 31st July 2019 reflects the impact of the 2017 USS Valuation

	£m
Pension Provisions at 31st July 2018	37.6
Contributions paid for deficit recovery	-1.9
Change in assumptions	0.7
USS 2017 valuation	69.6
Other changes	0.8
Pension Provisions at 31st July 2019	106.7

The conclusion of the 2018 valuation has been deemed a non-adjusting post balance sheet event. As a result, the 2019/20 results will include a credit of £43.9m, resulting in the net balance sheet impact of the 2017 and 2018 USS valuations at £25.7m.

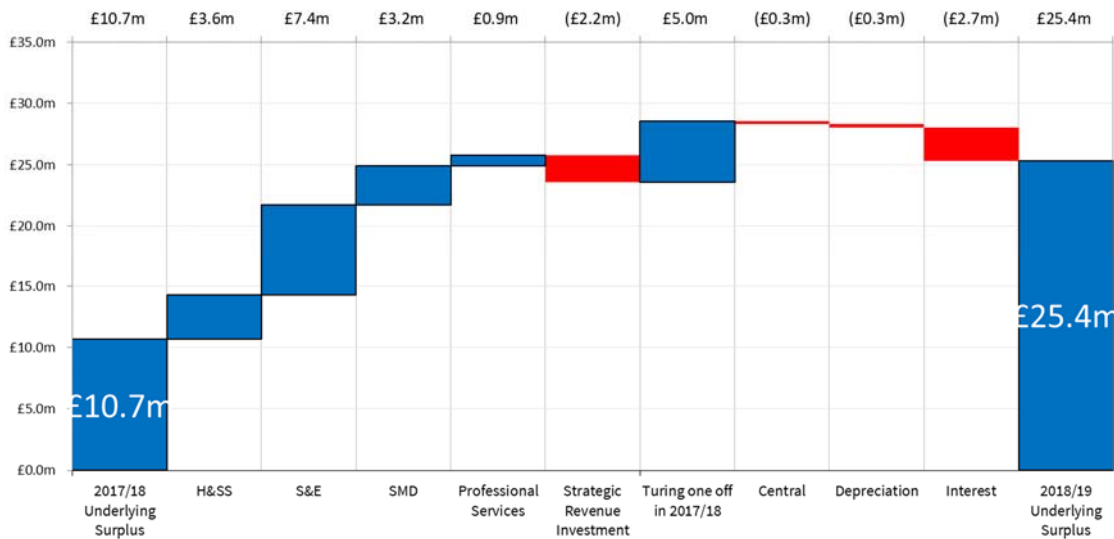
Cashflow

The summarised cashflow is shown below, and as for the balance sheet, of most note are the impacts of the private placement and the USS 2017 valuation. Cash generated from operating activities increased by £4.5m in the year.

£m	Year ended 31st July			Note
	2018	2019	Variance	
Surplus / (deficit) for the year	12.7	(49.9)	(62.6)	
Adjustment for non-cash items				
Depreciation and amortisation	34.4	34.6	0.3	
Loss/(gain) on investments	(0.5)	4.9	5.3	
Working capital movements	8.3	(5.0)	(13.3)	1
Increase/(Decrease) in pension provision	(1.9)	69.2	71.1	2
Other movements	0.0	(0.1)	(0.2)	
Adjustment for investing or financing activities	-	-	-	
Investment income	(0.5)	(1.6)	(1.1)	3
Interest payable on loans and finance leases	2.8	5.3	2.6	4
Endowment income	(0.1)	(0.1)	(0.0)	
Loss on disposal of fixed assets	0.2	1.5	1.3	
Capital grant income	(11.0)	(9.9)	1.1	
Net cash generated from operating activities	44.3	48.8	4.5	
Cash flows from investing activities				
Capital grants receipts	11.0	9.9	(1.1)	
Non-current asset investments & managed funds	1.8	1.5	(0.4)	
Investment income	0.5	1.6	1.1	
Payments made to acquire fixed & intangible assets	(42.8)	(42.1)	0.7	
New bank deposits	-	(110.5)	(110.5)	5
Net cash used in investment activities	(29.4)	(139.6)	(110.2)	
Cash flows from financing activities				
Loan and Lease Interest	(3.3)	(5.9)	(2.6)	
Endowment cash received	0.1	0.1	0.0	
New unsecured loans		160.0	160.0	6
Net movement on revolving credit facility	(7.0)	(21.0)	(14.0)	7
Repayments of loans and leases	(1.9)	(1.8)	0.1	
Net cash generated from / (used in) investment activities	(12.1)	131.4	143.5	
Increase in cash and cash equivalents in the year	2.9	40.7	37.8	
Cash and cash equivalents at beginning of the year	18.1	20.9	2.9	
Cash and cash equivalents at end of the year	20.9	61.6	40.7	
Cash on longer term deposit	-	110.5	110.5	
Total cash including cash on deposit	20.9	172.1	151.2	

1. The movement in working capital reflects the normal variations in the timings of receipts and payments.
2. The impact of the 2017 USS valuation is reversed for the cashflow report.
3. Investment income increased as a result of interest earned on the proceeds of the private placement.
4. Interest payable increased due to the part year impact of the private placement in January 2019.
5. Cash which was not required in the short term was placed on deposit with UK banks and building societies for 3 to 12 months.
6. The revolving credit facilities were fully repaid in 2018/19 and closed.

Year On Year Movement by Faculty



To enable year on year comparison at faculty level, the 2018/19 results have been adjusted to remove the impact of two changes that were made in 2018/19. Both of these adjustments have a net nil impact at QM level.

- Overseas agent's fees were moved from Professional Services to Faculties in 2018/19
- The premises costs for the Centre for Commercial Law were moved from Faculty to Professional Services in 2018/19.

Both of these have been reversed in the analysis that follows to enable like for like comparison.

Income and Expenditure Summary

The 2018/19 results, split by Faculty are shown below:

		H&SS	S&E	SMD	Professional Services	Central Services	QM Total
A.Income	1.Tuition fees and education contracts	128.9	72.7	48.2	0.4	0.1	250.2
	2.Funding Body Grants	10.1	15.7	32.9	3.7	8.9	71.3
	3.Research Grants and Contracts	6.7	29.9	67.8	3.3	1.5	109.2
	4.Other Income	0.8	1.4	19.4	26.2	3.7	51.6
	5.Investment Income	0.0	0.0	0.0	0.0	1.6	1.6
	6.Donations and Endowments	0.1	0.2	0.8	0.2	(0.1)	1.1
A.Income Total		146.6	119.9	169.0	33.8	15.7	485.0
B.Expenditure	7.Staff Costs	60.9	51.6	100.4	56.4	0.5	269.6
	9.Other Operating Costs	18.3	22.8	38.3	63.4	6.3	149.1
	10.Depreciation	0.0	0.0	0.1	0.0	33.0	33.1
	11.Interest and other finance costs	0.0	(0.0)	0.0	0.0	6.2	6.2
B.Expenditure Total		79.2	74.4	138.8	119.8	46.0	458.1
Grand Total		67.4	45.5	30.2	(85.9)	(30.3)	26.9

All three faculties and Professional Services delivered improved financial performances in 2018/19 which was partially offset by increased investment in strategic priorities, and the additional interest costs resulting from the private placement.

H&SS +£3.6m v 2017/18

The strong H&SS result, summarised below was driven by increased tuition fee income and lower non-pay costs, partially offset by increased staff costs.

		2017/18	2018/19	Variance
A.Income	1.Tuition fees and education contracts	123.3	128.9	5.6
	2.Funding Body Grants	10.2	10.1	(0.1)
	3.Research Grants and Contracts	6.3	6.7	0.4
	4.Other Income	1.5	0.8	(0.8)
	5.Investment Income	0.0	0.0	(0.0)
	6.Donations and Endowments	0.1	0.1	(0.0)
A.Income Total		141.5	146.6	5.1
B.Expenditure	7.Staff Costs	58.1	60.9	(2.8)
	9.Other Operating Costs	19.6	18.3	1.3
	10.Depreciation	0.0	0.0	0.0
	11.Interest and other finance costs	0.0	0.0	0.0
B.Expenditure Total		77.6	79.2	(1.5)
Cash Generation		63.8	67.4	3.6

Tuition Fee Income

The growth in H&SS tuition fee income was due to additional overseas fee income which grew by £5.3m (9.4%), whilst home fees were flat year on year at £59.8m. There was growth in fee income in Economics, Commercial Law and Politics and International Relations, with increases in all other Schools apart from English and Drama which declined by 3% year on year.

School	2017	2018	Variance
Economics	25.0	27.7	2.7
Business Management	25.0	25.2	0.2
Law	14.3	14.3	0.0
Centre of Commercial Law	13.5	14.6	1.1
School of Languages, Linguistics & Film	13.9	14.1	0.1
Politics	10.1	10.9	0.8
English & Drama	9.1	8.7	(0.3)
History	7.6	8.0	0.4
Geography	4.9	5.3	0.4
H&SS Faculty Office	(0.0)	0.1	0.1
Grand Total	123.3	128.9	5.6

Staff Costs

Staff costs increased by £2.8m of which £0.8m was externally funded by grants and £2.0m was core funded. Of the £2.0m core pay increase, c£1.6m was due to pay increases and increases in pension costs and £0.4m was due to increases in staff numbers to support additional teaching income.

Other Operating Costs

The year on year reduction in Other Operating Costs comprised a £1.0m reduction in grant funded expenditure and a £0.3m reduction in core funded spend.

S&E +£7.4m v 2017/18

S&E delivered a significant improvement in cash generation, increasing to £45.5m for 2018/19. This was driven by increased tuition fee income, from London campuses and Transnational Education.

		2017/18	2018/19	Variance
A.Income	1.Tuition fees and education contracts	66.3	72.7	6.4
	2.Funding Body Grants	15.9	15.7	(0.2)
	3.Research Grants and Contracts	26.5	29.9	3.5
	4.Other Income	1.1	1.4	0.3
	5.Investment Income	0.0	0.0	0.0
	6.Donations and Endowments	0.2	0.2	0.0
A.Income Total		109.9	119.9	10.0
B.Expenditure	7.Staff Costs	48.8	51.6	(2.7)
	9.Other Operating Costs	23.0	22.8	0.2
	10.Depreciation	0.0	0.0	0.0
	11.Interest and other finance costs	0.0	(0.0)	0.0
B.Expenditure Total		71.8	74.4	(2.6)
Cash Generation		38.1	45.5	7.4
London Campuses		31.5	37.3	5.8
Transnational Education		6.6	8.2	1.6
Cash Generation		38.1	45.5	7.4

Tuition Fee Income

Tuition fee income from students studying in London increased from both Home/EU and overseas students:

	2017/18	2018/19	Variance
Home	36.1	39.2	3.0
Overseas: London Campuses	16.2	17.8	1.6
Overseas: TNE	12.8	14.6	1.9
Other fees	1.1	1.1	(0.1)
Total Tuition Fees	66.3	72.7	6.4

Three Schools saw increases in tuition fee income, whilst Biological Science and Physics & Astronomy saw year on year decreases.

£m	2017	2018	Variance
Biological and Chemical Science	15.1	14.7	(0.5)
Electronic Engineering and Computer Science	13.3	15.2	1.9
Engineering & Materials Science	11.1	12.7	1.6
Mathematics	9.3	11.1	1.8
School of Physics and Astronomy	4.8	4.4	(0.3)
Science & Engineering Faculty	(0.1)	(0.1)	(0.0)
Total London Campuses	53.5	58.1	4.6
Beijing International College (BUPT)	7.8	8.4	0.7
Nanchang	4.0	4.2	0.2
NWPU	0.9	2.0	1.0
Total TNE	12.7	14.6	1.9
Total S&E Faculty	66.3	72.7	6.4

Research Income +£3.5m

Increased expenditure on research grants led to a £2.8m increase in research cost recovery income and an additional £0.7m of Research Overheads.

Staff Costs

Staff costs increased by £2.7m of which £1.2m (a 3.2% year on year increase) was core funded pay and £1.5m was funded by additional research grant income.

Other Operating Costs

The £0.2m reduction in Other Operating Costs was the net of a £0.5m increase in research funded expenditure and a £0.7m reduction in core funded expenditure.

SMD +£3.2m v 2017/18

The improvement in SMD cash generation was due to a combination of increased tuition fee income and increased teaching grant income. The SMD result also reflects the overstatement of research costs in 2017/18 and subsequent correction in 2018/19. This has a net nil impact on cash generation in both years.

		2017/18	2018/19	Variance
A.Income	1.Tuition fees and education contracts	45.7	48.2	2.5
	2.Funding Body Grants	31.9	32.9	1.0
	3.Research Grants and Contracts	72.1	67.8	(4.3)
	4.Other Income	19.3	19.4	0.1
	5.Investment Income	0.0	0.0	0.0
	6.Donations and Endowments	0.5	0.8	0.3
A.Income Total		169.4	169.0	(0.4)
B.Expenditure	7.Staff Costs	96.3	100.4	(4.1)
	9.Other Operating Costs	46.1	38.3	7.8
	10.Depreciation	0.0	0.1	(0.1)
	11.Interest and other finance costs	0.0	0.0	0.0
B.Expenditure Total		142.5	138.8	3.7
Cash Generation		27.0	30.2	3.2

Tuition Fee Income

	2017/18	2018/19	Variance
Home: London Campuses	28.5	29.5	1.0
Overseas: London Campuses	11.9	14.0	2.1
TNE: Malta	0.0	0.0	0.0
Other fees	5.3	4.7	(0.6)
Total Tuition Fees	45.7	48.2	2.5

Growth in tuition fees reflected home student numbers increasing by 204 and overseas students by 67 compared to 2017/18

Funding Body Grants

The increase in teaching grant reflected the continued expansion of home student numbers, most of who study in price group A subjects which are supported by the teaching grant (Price Group A £10,000 per student).

Staff Costs

Core funded staff costs increased by £3.5m (7.7%), whilst externally funded costs increased by £0.6m. The increase in core staff costs reflects the impact of the annual pay review, increases in employer's pension contributions and an increase in headcount due to support the REF2020 submission

Other Operating Costs

The reduction in other operating costs reflects the correction of the overstated research costs in 2017/18, which reduced by a net £6.4m in the year to £23.3m.

	2017/18	2018/19	Variance
Core funded	8.6	8.6	0.0
Research	29.7	23.3	(6.4)
Other Externally Funded	7.8	6.3	(1.4)
Total Other Operating Costs	46.1	38.3	(7.8)

Professional Services

The underlying net cost of Professional Services increased by £1.3m in 2018/19.

		Professional Services		
		2017/18	2018/19	Variance
A.Income	1.Tuition fees and education contracts	0.1	0.4	0.2
	2.Funding Body Grants	3.0	3.7	0.7
	3.Research Grants and Contracts	1.7	3.3	1.6
	4.Other Income	21.2	26.2	5.0
	5.Investment Income	0.0	0.0	0.0
	6.Donations and Endowments	0.7	0.2	(0.5)
A.Income Total		26.7	33.8	7.1
B.Expenditure	7.Staff Costs	55.7	56.4	(0.7)
	9.Other Operating Costs	60.6	63.4	(2.8)
	10.Depreciation	0.0	0.0	0.0
	11.Interest and other finance costs	0.0	0.0	0.0
B.Expenditure Total		116.3	119.8	(3.4)
Cash Generation		(89.6)	(85.9)	3.7
	Add back Turing one-off in 2017/18	5.0	0.0	5.0
Underlying Result		(84.6)	(85.9)	(1.3)

Notable year on year changes:

- Aspire Point, the new halls of residence opened in 2018/19, resulting in an additional £3.7m of Other Income and £3.4m of Other Operating Costs.
- Library costs, including subscriptions to digital services increased by £0.8m
- IT costs increased by £0.8m, including £0.7m funded by a capital to revenue transfer
- Overseas agents' fees increased by £0.6m reflecting increased recruitment of overseas students. Fees are typically paid at 10% + VAT of fee income for students recruited via overseas agents

**Queen Mary University of London
Financial Statements
2018/19**

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Report by the President and Principal

Report by the President and Principal

The Academic Year 2018/19 was my second as President and Principal of Queen Mary University of London. It is a privilege to be part of such an outstanding community, and I am proud to be part of an institution that continues to make such a difference to so many people's lives.

This is an incredibly exciting time to be part of Queen Mary. Our work this year has focused on the development of our Strategy 2030, which we launched in April this year, following an extensive consultation with staff and students. In all, we had input from nearly 1,000 members of the community, via all-staff workshops, Faculty and School meetings, and an ongoing informal process of engagement that took place across a period of months.

The energy and passion of the community shone through in these discussions. Indeed, what particularly struck me was the ambition of our staff and students, who in these discussions consistently encouraged us to aim high for Queen Mary, and put in place a Strategy which stretches us, and sets us on a trajectory to be the very best that we can be.

The outcome is a Strategy that we can all be proud of, and which reflects the unique character of Queen Mary. It is based on our two core areas of activity: education and the student experience; and research and innovation. Global and public engagement, shaping policy, economic and societal impact, entrepreneurship and developing partnerships are embedded in all our activities.

Over and above these activities, though, is its reflection of Queen Mary as a community, and we are serious in our ambition to be the most inclusive university of its kind, anywhere. This builds on our established record of excellence in attracting the best students from all backgrounds. For a Russell Group institution, our student profile is unique: 91% of our students are from state school 60% are BAME; and 42% are the first from their family to enter higher education. We have always opened the doors of opportunity, and this Strategy embraces that and seeks to go even further.

This commitment to our heritage, and clarity of purpose, has never been more important, given the unprecedented level of volatility we continue to face in the external environment, which shows little sign of stabilising. The issue of Brexit continues to loom large, and we continue to feel the damaging effects of the sector-wide industrial dispute in relation to pensions. Meanwhile, the release of the Augar Review on student finance raised once again the possibility of a reduction in fee levels for home undergraduate students.

I share in the unease that many of my colleagues feel about the changing nature of the sector. In particular, I acknowledge the widespread frustration that individual institutions such as Queen Mary have a relatively limited agency over the direction of travel and outcome of some of these huge issues facing us. This makes it all the more important that we coalesce around a shared vision and stay true to our cherished principles.

In particular, the vision of our founding institutions to provide 'hope and opportunity' for the less privileged population in East London and the suburbs of London. We remain true to this today, combining world-class strengths in education and research with a profound affinity and engagement with our local community. In the midst of such instability, our potential to address some of the most deep-seated and pressing societal issues facing the country, through social mobility, is unrivalled.

In terms of the fundamentals, the tireless work of our colleagues means that we have solid foundations on which to build. Our student recruitment continues to be strong, with our student community numbering 25,000 in 2018/19, spread across undergraduate (19,000) and postgraduate (6,000) cohorts. Student numbers increased by 4%, and we continue to prove attractive to overseas students, with students from 160 countries forming 40% of the population.

Report by the President and Principal (continued)

We have worked hard to improve our financial situation, and these results demonstrate that that work is bearing fruit. With an external financial environment that will continue to challenge us, and in the absence of any significant endowments from which to draw upon, developing and nurturing sources of unfettered income that we can strategically invest is essential for us to deliver Strategy 2030, and we have made a strong start in that regard. We have improved the underlying financial performance of the University by £14.7m, excluding the pension provision movement, in the year. This financial strength is not, however, an end in itself, but is essential for us to continue to support the world-class facilities, infrastructure and equipment required by our academic mission, and also for investment in new initiatives that will deliver Strategy 2030, and make us more than the sum of our parts.

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.

Professor Colin Bailey, President and Principal

November 2019

Queen Mary, University of London Strategic Review

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 below. A review of the key activities during the year that demonstrates how Queen Mary has delivered its charitable purposes for the public benefit is also included within the review of each of the strategic objectives. 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.

Operating Review

This has been in many ways an exhilarating year, in which our overriding focus has been on the future. We have developed and launched a new Strategy for Queen Mary – which outlines a compelling vision for the future of the University – and also worked hard on the underlying infrastructure to ensure that we have sufficient resources, and robust plans in place to deliver our Strategy. This necessarily means that in some ways it has been a period of transition, as we take stock of what we have achieved during the period of the previous Strategy (2014 –

Queen Mary, University of London Strategic Review (Continued)

2018), and look ahead to where we should focus our finite energy and resources over the next ten years.

In the sections below we identify the values that frame our Strategy, elaborate on the two key core areas of the Strategy, and our 13 Strategic Objectives that were identified as part of the Strategy development process. We will also take a brief look back at some of the key aspects of our performance during the previous Strategy period across the strategic aims of that period.

Queen Mary – Our Core Values

A key focus of this process has been identifying and building upon the underlying values which make Queen Mary the special place that it is. Our core values underpin all that we do, and we draw strength and meaning from them in our everyday business. Our values have been articulated as part of the process of developing Strategy 2030, and were co-created with our community of staff and students.

- I**nclusive We will be **inclusive** and maintain our proud tradition of nurturing and supporting talented students and staff, regardless of their background and circumstances, and continually enhance our strong engagement with our local and global communities.

- P**roud We are **proud** of the difference we can all make when we work collectively.

- A**mbitious We are **ambitious** and we will foster innovation and creativity, disrupt conventional thought, and respond with imagination to new opportunities to further our vision, mission and academic ambitions.

- C**ollegial We will be **collegial** and promote a strong collegial community through openness, listening, understanding, co-operation and co-creation, ensuring focused delivery of our collective vision and strategy.

- E**thical We will act with the highest **ethical** standards, and with integrity, in all that we do.

Queen Mary, University of London Strategic Review (Continued)

Strategy 2030

Our Strategy is based on our core pillars of: Education and the Student Experience; and Research and Innovation. Global and public engagement, shaping policy, economic and societal impact, entrepreneurship and developing partnerships are embedded in all our activities.

Education and the Student Experience

We will deliver an outstanding, inclusive, world-class education and student experience, co-created with our diverse student body, enhanced by our world-leading research and latest technological developments.

At Queen Mary we attract some of the brightest and best students from across the world from all walks of life. All our students bring their own unique premium of talent to get into Queen Mary. We will ensure that premium is embellished at our University and translated into greater attainment and opportunities.

True to the founding principles of the institution, in our education and student experience we remain committed to opening the doors of opportunity. In some cases, our students do not have the networks and in-built confidence to enable them to aspire to the careers they deserve. In many cases, they do not have the support they need to manage the many conflicting demands of their lives whilst at university. It is our responsibility to provide that support, tailored to each and every student, to ensure that they can reach their full potential.

Our four pillars of education and student experience excellence that inform our strategy are:

- Excellence in education
- Excellence in student engagement
- Excellence in student employability
- Excellence in the learning environment

Research and Innovation

We will be recognised for our distinctive, world-leading, curiosity-driven and applied research, and will continually build our research capacity for social, cultural and economic impact.

Queen Mary, University of London Strategic Review (Continued)

Leading research to cure haemophilia, a revolutionary new political theory, the latest advances to underpin the treatment of cancer and heart disease, pioneering developments in artificial intelligence, and an acclaimed biography of one of the 20th century's greatest leaders: these are just some of the many recent outputs of research at Queen Mary. The quality of our research and impact is recognised all over the world. We will build upon our success by significantly increasing capacity in key focused areas and bringing research excellence together with real impact at all times. In keeping with our ethos, we attract scholars from all over the world, and we will create more opportunities for them to work together and make sure we are supporting and nurturing them at all stages of their careers.

Entrepreneurship, innovation and engagement are an embedded part of our research culture. We will maintain our commitment to achieving impact, and involving end users, patients, policy-makers and the public in the research we do. This core area of our strategy is delivered through our research and innovation principles supported by three pillars of excellence shown below.

Our three pillars of research excellence that inform this strategy are:

- Providing world-class support for our researchers
- Creating a world-class research environment, focused on our strengths, which enables staff and students to flourish
- Producing world-leading research outputs and ensuring that research development, innovation, enterprise and social impact is embedded in all our research activities.

Strategy 2030 – Implementation

Strategy 2030 is bold and ambitious, and its launch signposts the next decade as a transformative one in the long and proud history of Queen Mary. The Strategy we have articulated is one which signals a step-change in performance and approach across our core activities. Such a bold transition necessitates change across our underlying processes and behaviours. Behind our public facing document, significant work has gone into aligning our everyday work and focus with our strategy, with significant changes made to the way that we measure progress against our strategy, and our approach to risk.

Our Strategy is supported by eight detailed enabling plans, which will be regularly updated, covering:

Queen Mary, University of London Strategic Review (Continued)

- Education and the Student Experience
- Research and Innovation
- Policy, Impact and Public Engagement
- Global Engagement
- Infrastructure (Estates, Equipment and IT)
- Our Faculties
- Professional Services
- People and Culture

Strategy 2030 - Measuring Progress

During the development of the strategy, 13 key objectives were identified and it was agreed that appropriate means of monitoring and reporting on performance against each of these objectives should be developed. This is a significant change in the way that we monitor performance. A new suite of KPIs have been developed for use from 2019-20 which introduce more robust internal, in-year datasets and reporting definitions. The objective is to provide a set of high-level measures which provide a genuine indication of performance and which sit on top of reporting and dashboards which can be used dynamically to monitor and enhance performance.

	Strategic Objective
People	Greater Student Satisfaction
	Improving staff engagement
	Increasing staff equality and inclusion
	Reduce student attainment gap
	Increase alumni engagement
Recruitment	Recruitment that enables us to achieve the 2030 Strategic Objectives
Education	Improved progression
	Improved career outcomes
Research	Increased research volume
	Increased research quality
Resources	Progress against enabling plans
	Improved cash generation
Reputation	Improved academic reputation

Queen Mary, University of London Strategic Review (Continued)

2014 – 2019 Strategic Objectives Review

We recognise that this is a year of change, in which we have set our horizons into the future. This process involved a retrospective look at the previous strategy period, recognising where we are building from a position of strength, and where there is work to do. What follows is a brief look at the trajectory of Queen Mary within the previous Strategy period against five key areas: education, research, diversity and widening participation, recruitment and financial strength. These five areas cut across our core areas of activity, and the measures used can be referred to as 'interim KPIs' pending the full adoption of the more comprehensive suite of measures adopted with our new Strategy mentioned above.

Strategic Objective One: Education

Our students are the lifeblood of community, and increasing rates of student satisfaction is rightly a key priority focus area for our new strategy. Performance in this area has been disappointing across the previous Strategy period, with the number of students either 'satisfied' or 'very satisfied' with their experience at Queen Mary falling from 88% in 2015 to 81% in 2018. An additional focus of the new Strategy will be continuation rates, with the proportion of students not continuing their studies after their first year increasing from 6% to 7% in the most recent data we have available. On a more positive note the number of Queen Mary graduates entering employment or further study within six months of graduating increased from 73% to 78% across the period. We were also pleased to be awarded a Silver award in the inaugural Teaching Excellence Framework in 2017, an award which recognised the great work underway across the institution in support of our students.

Student experience

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

Our current Education and Student Experience enabling plan, in support of Queen Mary's 2030 Strategy, is in the process of being refined to ensure delivery of the new university strategy. Our new education strategy focuses on co-creating an outstanding, all-inclusive education which is enhanced by the richness of our diverse student population. We will be working in partnership with our Students' Union to ensure we deliver an excellent student learning experience. To support students in their future careers we offer students a wide variety of careers development activities and structured schemes. One such scheme is

Queen Mary, University of London Strategic Review (Continued)

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.

Another such scheme is the award-winning Queen Mary Legal Advice Centre (LAC), opened by its Patron, Lord Goldsmith, in 2006. It provides a free, accessible, client centred advice service for the public, covering 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.

Strategic Objective Two: Research

Strategy 2030 identifies the key drivers that we need to push forward with to make Queen Mary a 'research goliath'. Nevertheless, our research excellence has continued to be a key part of our identity. Our position as one of the leading research-intensive universities in the UK was confirmed by our admission to the Russell Group in 2012, and this upward trajectory has continued: our strong performance in the Research Excellence Framework in 2014 has had lasting impact in terms of reputation and funding. REF 2014 ranked Queen Mary 5th for the quality of research outputs. Our research income has continued to grow year-on-year across the Strategy period, and now stands at £108 million, up from £87 million in 2014. Another important measure is Field-Weighted Citation Impact, a widely recognised measure of research impact. On this measure, Queen Mary has risen from being in line with the Russell Group average 20 years ago, to second only to the University of Oxford in the most recent set of data.

Research and impact

Queen Mary researchers make major contributions in a diverse range of disciplines including cancer and cardiovascular studies; intellectual property law; population health, inequalities and diversity; nanomaterials; and astronomy. In the last year, researchers in the School of Medicine and Dentistry have contributed significantly to reducing air pollution in London with the introduction of the Ultra-Low Emission Zone (ULEZ). Work by Professor Jonathan Grigg and Professor Chris Griffiths led to the 2016 report "Every Breath We Take." Impacts of this report include its use by the London Mayor, Sadiq Khan, to justify the introduction of the Ultra-

Queen Mary, University of London Strategic Review (Continued)

Low Emission Zone scheme in 2019. In addition, Professor Graham MacGregor's Action on Sugar has resulted in a soft drinks industry levy (SDIL), 45,000 tonnes of sugar taken off UK shelves and a ban on energy drink sales to children under 16 from October 2019.

In the Faculty of Science and Engineering, Dr Karin Hing and her team engineered materials that encourage bone growth when used in complex orthopaedic surgeries and have improved the outcomes for hundreds of thousands of patients worldwide. As a result of this work, Royal Mail has included Dr Hing in a six stamp set, launched on 2nd May 2019, to mark innovations in British engineering from the last 50 years. As well, Professor Carl Murray and Dr Nick Cooper are being celebrated for their work in capturing the intricate characteristics of Saturn's mysterious rings in never-before-seen detail in a paper published in June 2019. They worked alongside other scientists, planning and then analysing the images taken by the digital cameras attached to the Cassini-Huygens spacecraft and relayed back to Earth. These images have become iconic, redefining the public face of Saturn and directly impacting wider culture. The results have inspired schoolchildren through an international competition adopted by the European Space Agency in its 19 member states. Professor Murray has also enthused the public through numerous television, radio and print media appearances, including the recent discovery of a new object ("Peggy") orbiting Saturn.

In 2019, the Faculty of Humanities and Social Sciences has seen research impact touching on art, policy, culture, business, economics, and environment. Professor Sophie Harman was nominated for the BAFTA for Outstanding Debut by a British Writer, Director, or Producer in 2019 for her work on *Pili*. *Pili* is the first ever social-realist feature film to focus on women living with HIV in East Africa. It is one of the few films made in Africa that features an ensemble female cast and that uses almost entirely non-actors. Research conducted by Professor Kate Spencer into both legacy and future pollution risk from historic landfills has led to coastal policy change at local to regional levels, and the development of new best practice guidelines and recommendations for industry and increased public and government awareness at national levels. The new Essex and South Suffolk Shoreline Management Plan (SMP) will be updated and released in 2019 and the update to the Thames Estuary 2100 Plan is due out in 2021. Both have been informed by Spencer's research.

Queen Mary has many internationally influential researchers and in 2018/19 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

Queen Mary, University of London Strategic Review (Continued)

humanities and social sciences; Dr Renato Faccini, from the School of Economics and Finance, 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; from Barts and The London School of Medicine and Dentistry, Professor Dame Parveen Kumar DBE, received the BMJ Award for Outstanding Contribution to Health. Professor Robert Hill, chair of dental physical sciences, received the Varshneya Award for his pioneering research into halogen bioactive glasses for dental applications, being the first British scientist to win this award. Professors Mark Caulfield and Graham McGregor have been recognised in the Queen's Birthday Honours List for their respective achievements in the fields of genomics and cardiovascular medicine. Professor Caulfield together with Professors Jack Cuzick, now a Fellow of the Royal Society, and Panos Deloukas, now a Fellow of the Academy of Medical Sciences, and Patricia Munroe were announced as some of the most influential researchers in the world, the top 1%, based on how widely their research had been cited in other people's publications.

Strategic Objective Three: Diversity and Widening Participation

We are incredibly proud of the diversity of our staff and student body. This is something that we cherish and embrace as a catalyst for innovation and truly ground-breaking thought. The profile of our home undergraduate students in London is distinctive for a Russell Group university (and any research-leading university across the world) – 91% are from state school; 60% are BAME; 42% are the first from their family into Higher Education; and 27% are from households where the annual taxable income is less than £10,000. Our student body has significantly more BAME students than the Russell Group and sector averages, and our proportion of BAME students has increased by 5% since 2013/14. Queen Mary also has a much higher proportion of undergraduate entrants from state schools and the proportion has increased by 4% since 2013/14.

Access to world class learning

A cornerstone of our widening participation work is a generous package of bursaries and scholarships. This includes the Queen Mary University of London Bursary, which supports

Queen Mary, University of London Strategic Review (Continued)

undergraduate students from low income households; and a range of Excellence Scholarships. In 2018/19, 4,885 students were awarded a Queen Mary Bursary worth a total of £7,347,420; 47 students received Science and Engineering Excellence Scholarships worth £123,000; and 10 students received Economics and Finance Excellence Scholarships worth £34,000. In addition, a Financial Assistance Fund exists to provide assistance for students who need extra financial support to remain in higher education.

Working in partnership with schools

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

Partnership with these school trusts has enabled Queen Mary to support advances in the educational attainment and aspiration of young people in the London Boroughs of Havering and Tower Hamlets, which both experience high levels of unemployment and low 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 for the schools in these trusts and for others across our local area.

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 Student Recruitment team and colleagues across the University work with young people from under-represented groups that are statistically less likely to consider and apply for higher education. Our work focuses on 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. Increasingly, we deliver long-term programmes that are underpinned by robust evaluation and allow us to work with the same young people over sustained periods of time. Examples include our work as part of

Queen Mary, University of London Strategic Review (Continued)

Realising Opportunities, and the Bridge the Gap programme which aims to increase children from currently under-represented group's awareness of medicine and dentistry as a career pathway and support them on their journey towards these professions.

The Centre of the Cell in Whitechapel is an educational resource based in working biomedical research laboratories and is dedicated to inspiring curiosity and learning by connecting science to everyday life. Centre of the Cell is an online resource, a science education centre and outreach project aimed at young people, teachers, families and community groups. Since opening in 2009, the Centre has welcomed over 170,000 visitors from all over the world and over one million visits to their website. However, it remains deeply rooted within its diverse local communities by continuing to work intensively with school students coming from a within a ten-mile radius of Whitechapel.

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:

The Festival of Communities explores living and learning in Tower Hamlets through a weekend of family friendly activities. The Festival was created by Queen Mary in collaboration with Tower Hamlets community groups and organisations, and brings together hands-on demonstrations of local research and services, food, sport and games. Now in its fifth year, the Festival is bigger and better than ever, with over 3,500 visitors attending in 2019.

Researchers from the School of Geography collaborate with local communities near the River Chess for the project 'ChessWatch', which generates publicly owned datasets to support decision-making and activities to raise awareness about the current pressures on chalk stream water resources and river health.

'Barts Community Smiles' is a newly established dental student-led volunteer group that aims to raise awareness of oral health and champion oral health promotion in local schools and the community. Tower Hamlets has previously been deemed 'one of the worst places for dental health in the country'. Around 40% of the adult population have decayed teeth and 80% suffer from gum diseases. Given the evidence of disease prevalence in Tower Hamlets, the group's activity will be the delivery of oral health promotion (basic dental advice) and raising the

Queen Mary, University of London Strategic Review (Continued)

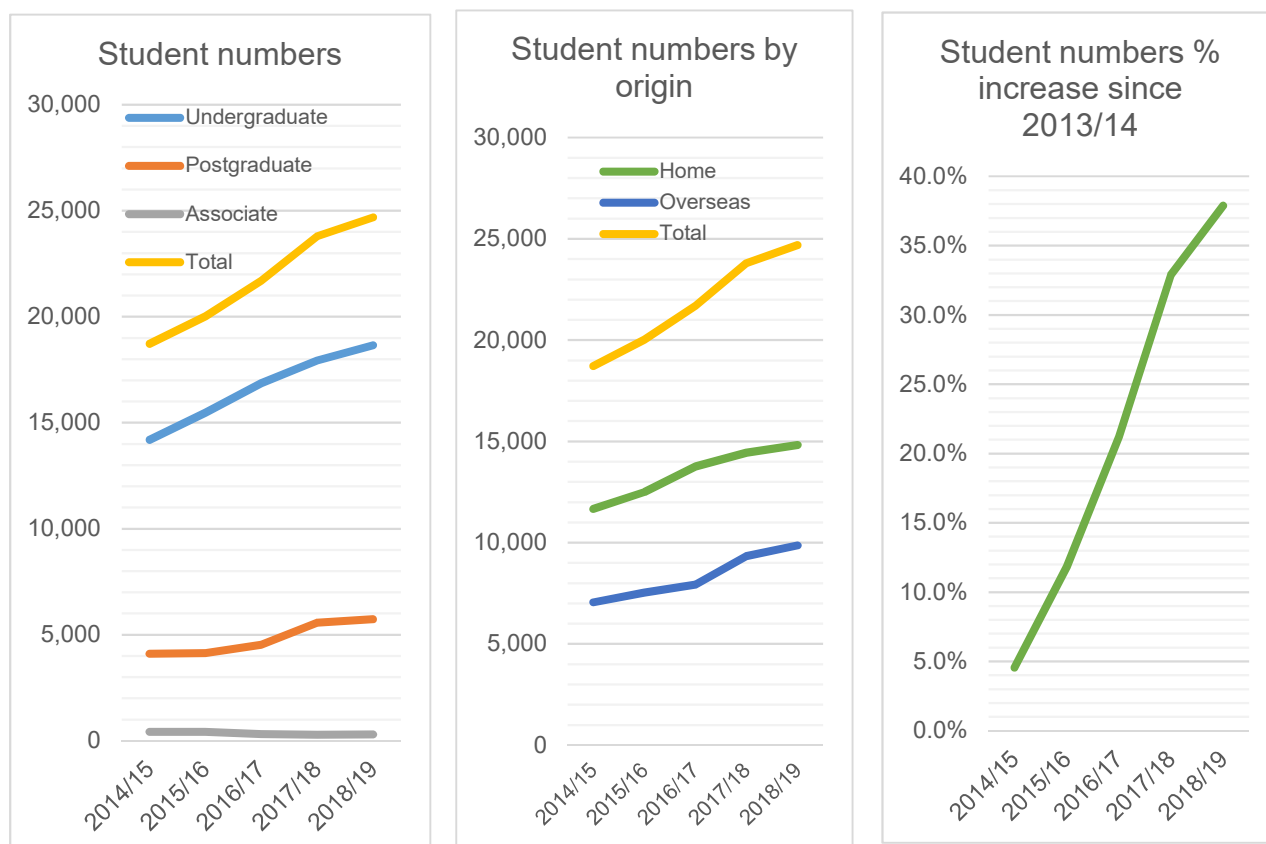
awareness of healthy habits (e.g. reducing sugar intake, brushing techniques). The group are aiming to carry out these activities via school-based sessions and oral health promotion stalls out in the local community.

'Global Story Cafes: Community conversations about migration and home' is a project working in partnership with Stories & Supper, a refugee supper club. This project centres on storytelling workshops and story-sharing café sessions with refugees/asylum seekers and local residents in Waltham Forest, one of the most ethnically diverse boroughs in the country. Bringing together local people and refugees/asylum seekers, and working collaboratively from the outset, this project seeks to create spaces of connection and foster dialogue, forming part of a wider research programme being developed on 'Acts of Welcome in the City'.

Strategic Objective Four: Student Numbers

We have continued to demonstrate our ability to attract students from around the world, significantly increasing our student numbers across all disciplines within the strategy period. Our student numbers increased by 31% between 2014/15 and 2018/19. The number of undergraduate students has risen from 14,200 to 18,700, while the number of postgraduate students has risen from 4,100 to 5,700. Continuing to grow students – in particular overseas and postgraduate students – is key to delivering our strategy, and will remain a focus going forward. A particular highlight of the recent strategy period has been the growth of our presence in China, with the number of Queen Mary students enrolled on our joint programmes in Nanchang, Beijing and Xian increasing from 2,700 in 2014/15 to 4,300 in 2018/19.

Queen Mary, University of London Strategic Review (Continued)



Strategic Objective Five: Financial Sustainability

Enhancing the financial sustainability of the University has never been more important. Externally, the challenging and unstable climate means that it is vital we are financially secure, while internally, our ambitious strategy requires significant investment for us to realise our ambitions.

Financial Review of 2018/19

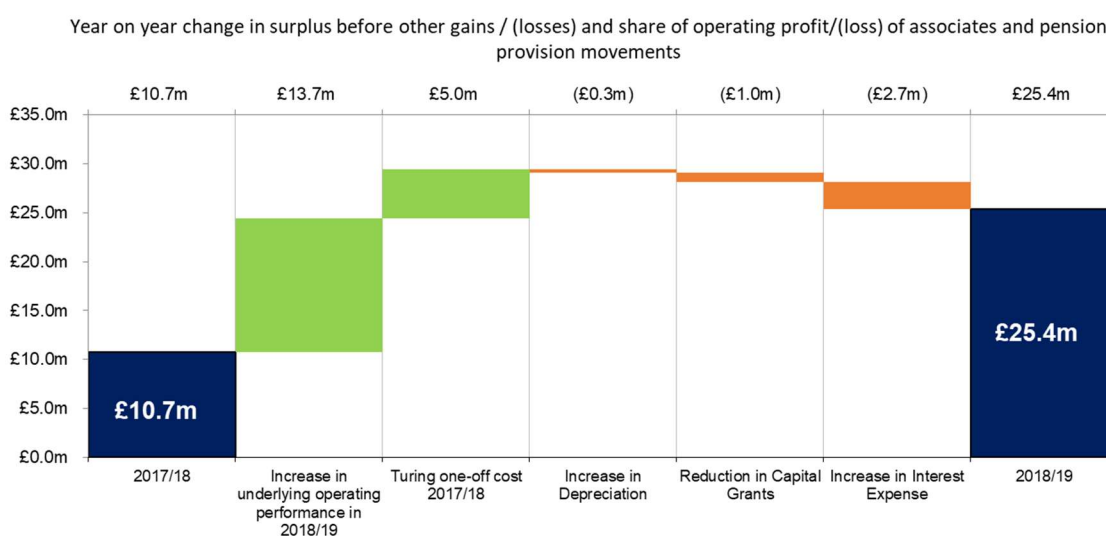
Our financial results for 2018/19 reflect two very significant items, the finalisation of the 2017 USS valuation, and the completion of our private placement.

Following the finalisation of the 2017 USS valuation, there was a net charge to staff costs in respect of pension provisions of £68.3m (2018: credit of £2.5m). As a result, we are reporting a deficit of £42.9m. (The deficit is taken before other gains/(losses) and share of the operating profit of associates.) Excluding the pension provision movements, the underlying surplus was £25.4m (2018: £10.7m).

Queen Mary, University of London Strategic Review (Continued)

During the year the University successfully concluded its private placement, securing £160m of proceeds, which replaced £125m of revolving credit facilities which were repaid and cancelled.

The underlying financial performance of the University showed significant improvement reflecting the implementation of targeted growth, and careful cost control.



Income

Total income grew by £23.1m to £485.0m, whilst income, excluding capital grants, grew by £24.0m to £475.1m.

Income	2018/19 £ millions	2017/18 £ millions	Change
Tuition fee	250.2	236.0	6%
Funding body grants*	65.1	63.2	3%
Research*	104.9	104.9	0%
Other*	53.7	46.8	15%
Total before capital grants	473.9	450.9	5%
Capital grants	9.9	11.0	-10%
Total income	483.8	461.9	5%

*Excluding capital grants and income

Queen Mary, University of London Strategic Review (Continued)

The increase in tuition fees reflect growth in student numbers and increases in non-regulated fees, with fee income from international students increasing by £11.8m (12%). Total student numbers increased by 4% to 24,687, with continued growth in the number of students studying on our joint degree programmes in China. Student numbers are summarised below:

Student numbers	2018/19 Numbers	2017/18 Numbers	Change %
Student Numbers (Full-time equivalent)	24,687	23,792	4%
By level of study			
Undergraduate	18,656	17,937	4%
Postgraduate	5,732	5,569	3%
Associate	299	286	4%
By fee status			
Home (UK and EU)	14,824	14,448	3%
Overseas (International)	9,863	9,344	6%
By location			
Queen Mary (London)	19,860	19,432	2%
Overseas (incl. China)	4,452	4,019	11%
Distance Learning	375	341	10%

Funding body grants in total were flat year on year at £71.3m (2017/18: £71.5m). The revenue element of these grants increased to £65.1m (2017/18 £63.2m), whilst the capital element reduced to £6.2m (2017/18 £8.4m, which included £3.2m of specific funding for the East London Genes and Health Centre).

Research grant and contract income, excluding capital grants, was steady at £104.9m.

Other income excluding capital grants, but which includes income from residences, catering and services to the NHS grew by £6.9m. This included £3.7m from our new halls of residence in Stratford.

Operating Expenditure

The finalisation of the USS 2017 Valuation resulted in a one-off charge to the Income and Expenditure account. Excluding this, and the release of the provision for the previous deficit, expenditure increased by 1.9% to £459.6m.

Queen Mary, University of London Strategic Review (Continued)

Expenditure	2018/19 £ millions	2017/18 £ millions	Change
Staff costs	269.6	259.4	3.9%
Other operating expenses	148.0	153.9	-3.1%
Depreciation and amortisation	34.6	34.4	0.8%
Interest and other finance costs	6.2	3.5	75.9%
Total expenditure before pension provisions	458.4	451.2	1.9%
Pension provision movements	68.4	(2.5)	
Total expenditure before pension provisions	526.8	448.7	17.7%

Staff costs increased by 3.9%, including the impact of inflationary and incremental pay increases, the introduction of increased employers' pension contributions from April, and increases in staff numbers.

Other operating costs decreased year on year, following the recognition in 2017/18, in full, of the £5.0m cost for five year's membership of the Turing Institute.

Following the completion in January 2019 of the £160m private placement at an average interest rate of 3.0%, interest costs increased to £6.2m.

Fixed Assets and Intangible Assets

The University continued to invest in improvements to its estates and IT infrastructure. Total capital expenditure of £42.1m included the following major project spend:

1. Mathematics Building £10.2m. As part of an £17.8m project to transform the Mathematical Sciences building including a complete internal refurbishment and an extension. The project was completed in August 2019 and the School of Mathematics moved back in to the building in time for the start of the 2019/20 academic year.
2. Engineering Building £4.2m as part of a £31.8m transformation project which will be completed in October 2019. A further £0.1m expenditure is expected in 2019/20 to complete this project.
3. Abernethy Building £3.0m as part of a £5.2m refurbishment project completed in April 2019.

Queen Mary, University of London Strategic Review (Continued)

4. Joseph Priestley Building £2.8m as part of a £4.8m legacy infrastructure project completed in November 2018.
5. Francis Bancroft Building £2.7m as part of a £3.3m legacy project, due to complete in October 2019. The forecast spend to completion is £0.4m.

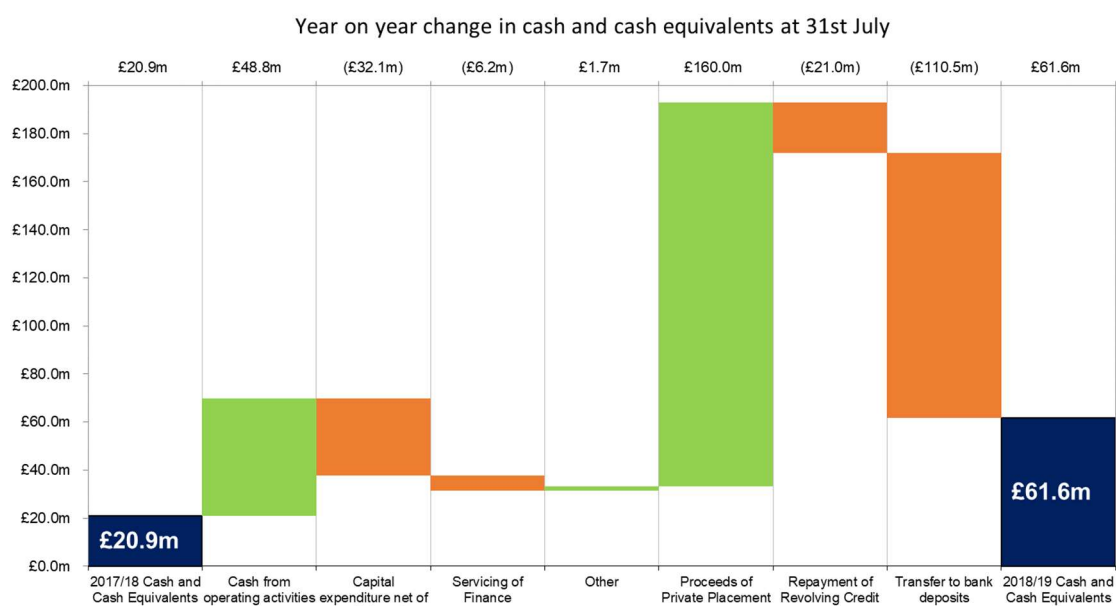
Investments

Non-current investments reduced by £5.3m, which included a £4.9m reduction in the fair value of holdings and £0.4m of disposals.

Following the receipt of the proceeds of the private placement, current investments increased significantly as we put surplus cash on deposit with UK banks and building societies for terms of between 3 and 12 months. This cash will be used to fund capital expenditure in support of growth, whilst operating cash will be used to fund recurrent capital expenditure.

Cash and Borrowings

Consistent with our strategy to improve our financial resilience, year-end cash balances increased to £61.6m (2017/18: £20.9m). We invested £42.1m in fixed and intangible assets, of which £9.9m was funded by capital grants. In September 2018, we repaid the £21m of revolving credit facility which was drawn as at 31st July 2018.



Queen Mary, University of London

Strategic Review (Continued)

Pensions

The main pension schemes in which the University participates are USS, SAUL and the NHS pension schemes. Employer contributions to the USS scheme increased in April 2019, from 18.0% to 19.5%, whilst employer contributions to the NHS scheme also increased in April from 14.4% to 20.7%. The total cost of the increase for the four months, April to July 2019, was £0.8m.

The USS 2017 valuation was concluded in January 2019 and resulted in a significant increase in the deficit provision, which increased by £69.6m as a result. This was charged to the income and expenditure account in the year.

Since year end, a new deficit recovery plan has been agreed based upon the 2018 actuarial valuation. If this had been in place at 31st July 2019, the charge to the income and expenditure account would have been £43.9m less, at £25.7m rather than £69.6m. This will be credited to the income and expenditure account in 2019/20.

Financial Outlook

The uncertainty that the sector faces continues. The Augur report in to post-18 funding was published, but no decisions regarding the scale or timing of any changes have been reached. BREXIT uncertainty continues and the University has plans in place to mitigate where possible the impact on for example key supplies from Europe.

May 2019 saw the launch of the University's new Strategy 2030 which sets out the institution's ambitions for education, research, engagement and resources. The refinancing of our revolving credit facilities via the private placement removed risk from our borrowings, and put in place the financial capacity for us to embark on the first phase of a capital programme which will see the delivery of major projects which will expand our teaching and research capacity. We are developing long term infrastructure enabling plans for both Estates and IT, which will not only support growth, but also improvements in student and staff experience and enable us to adopt changes to the models for teaching and working which new technology, and modern, flexible buildings enable. To ensure that we continue to improve our financial sustainability, we are refining the governance processes for project approval to ensure that resources are only released when funds are secured.

Queen Mary, University of London Strategic Review (Continued)

During 2019/20, we expect to sign long term leases for two buildings which will provide additional space for research, and also create the capacity to move some professional services staff out of key buildings on the Mile End campus, to enable the development of a consolidated student hub and additional teaching space.

In partnership with Newham College, we were successful in securing capital funding towards the development of a new Institute of Technology (one of 12 announced by the government in July 2019). We are now working towards the completion of a detailed project proposal.

Key risks review

During the 18/19 academic year a new Strategic Risk Register was established which is aligned to the 13 key objectives of the 2030 Strategy. This was formally adopted in June 2019. In developing this Strategic Risk Register, the following principles were applied:

- The purpose of the risk register is to **keep Queen Mary safe** and to **enable the University to benefit from opportunities** to be aligned to the strategic priorities.
- There should be **clear ownership** of the strategic objectives, associated risks and the mitigations/controls that are in place.
- The strategic risk register should be a **live document** that is used to understand the risk environment, articulate the risk appetite and provide assurance that adequate controls and mitigations are in place.

A selection of the 13 key strategic risks, across each of the six categories, are outlined below, along with the risk appetite and tolerance for each of these risks and an overview of the control measures in place:

People: Increasing staff diversity and inclusion

Our strategy is to ensure that we become the most inclusive University in the World. We will **not tolerate any bias**, in whatever form, and ensure that our structures, policies, and culture create an inclusive organisation, true to our values.

Queen Mary, University of London Strategic Review (Continued)

Control measures:

- New senior-level appointment (Vice-Principal People, Culture and Inclusion) in place to provide strategic leadership in this area
- New Equality Diversity and Inclusion (EDI) governance structure established, April 2019
- Significant project underway to enhance our data collection in relation to EDI

Recruitment: Recruitment that enables us to achieve the 2030 Strategy Objectives

The University is committed to significant growth in its overseas student recruitment in all modes of study to drive diversity of the student body and institutional sustainability.

The University accepts the **high level of risk** arising from complex external environments and international geographies and the need for impact at pace. Our engagement will be subject to risk mitigations and robust due diligence.

Control measures:

- Restructured UK student recruitment and marketing team
- Significant institutional investment in digital campaign marketing
- New policies in place in relation to overseas student recruitment, including making 'spot offers' on overseas marketing trips

Education and Student Success: Improved student progression

Improving continuation rates are essential for the university, in terms of our duty to students, our reputation (TEF and league tables) and in the financial impact on the University of high non-continuation rates. ***The level of appetite for risk in this area is therefore low.***

Control measures:

- Improved management information and introduction of institutional KPI on eligibility to progress
- Institution-wide Student Pipeline review covers student life-cycle journey, including conversion from applicant to student and 1st year progression
- Student progression is a key work-stream in Queen Mary's flagship 'Going for Gold' programme to improve the student experience

Queen Mary, University of London Strategic Review (Continued)

Research: Maintain/increase research quality

Queen Mary is a leading research-intensive institution and recognises the critical importance of maintaining the quality of our research. ***Appetite for risk in this area is therefore low.*** Output quality is traditionally an area of strength for Queen Mary and maintaining and enhancing this position is a key priority. Increasing the world-leading impacts from our research is equally important, although it is acknowledged that the potential for generation of research impact varies between disciplines and research topics, and there is inherently some risk involved in the process of translating research into impact.

Control Measures:

- Annual REF Review meetings taking place at Faculty and School level
- Robust policies and procedures in place in relation to academic probation, appraisal, mentoring and promotion
- Distributed leadership through Faculty Vice-Principals and Heads of School and Institutes

Resources: Improved cash generation to enable investment

The University aims to maintain its long-term financial viability and its overall financial strength. Whilst targets for financial achievement will be set higher, the University will aim to manage its financial risk by not breaching the following minimum criteria. It will:

- target surplus of a minimum of 2% of turnover per annum
- rate of return of at least 2% above CPI on its endowment investments over a 3 year period
- ensure long term borrowings never exceed 50% of net assets except in exceptional circumstances as approved by Council (forecast 44% 2018-19)
- ensure operating cash generated exceeds 2 times debt service charge except in exceptional circumstances as approved by Council (based on 2018-19 budget this equates to £21.4m)
- Have at least 1.75 months equivalent spend in cash held or cash equivalents or in negotiated bank facilities.

Queen Mary, University of London Strategic Review (Continued)

The University has a low risk appetite in achieving the above as this ensures long term financial sustainability, however this alone will not generate sufficient cash to fund strategic investment.

The University has a **moderate level appetite** for risk in planning and undertaking activities to generate the income and manage the costs in order to generate sufficient cash for investment.

Control Measures:

- Global Engagement Strategy focuses on increasing recruitment of students paying unregulated fees and distance learning
- Robust financial managements and monitoring processes in place on procurement, staff appointments and management of capital plan, pay and non-pay budgets and cash flow.
- Gateway process for release of investment to support strategic growth

Reputation: Improved reputation

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

There is a significant time lag in seeing the benefits of the controls that are being put in place to improve reputation.

Control Measures:

- Development of a more strategic approach to reputation management, including a newly constituted senior-level Reputation Strategy Group.
- Restructuring of Communications Division
- Newly developed and implemented brand narrative and guidelines

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.

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. 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 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 Council, 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 2018/19. It concluded that the University may have a high level of confidence in the effectiveness of Council. The

Statement of Corporate Governance and Internal Control (Continued)

implementation of the recommendations is in progress, overseen by the Governance Committee. 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 Council and of the Senior Executive Team 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 Council as chief academic and accounting officer to head Queen Mary. The President and Principal is accountable to 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 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 (Policy and Strategic Partnerships), Vice-Principal (Research), Vice-Principal (Education), Vice-Principal (International), the Director of Finance and Resources and the Registrar and Secretary.

Committees of Council

Council meets five times in each academic year and members are invited to a residential event each year attended by the Senior Executive. Council has five committees, laid down by Ordinance, to which it delegates much of its detailed work. These committees are Finance and Investment Committee; Audit and Risk Committee; Governance Committee; 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 the Chair is drawn; each reports regularly to the Council.

The membership of Council and of 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.

Statement of Corporate Governance and Internal Control (Continued)

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 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 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 Registrar and Secretary is the Committee secretary 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. One Committee meeting each year is 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.

The Honorary Degrees and Fellowship Committee makes recommendations to Senate and 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.

Statement of Corporate Governance and Internal Control (Continued)

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, processes and good practice 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. Three of our major achievements include the Athena SWAN Silver for the School of Medicine; the Athena SWAN Silver for the School of Dentistry; and the Athena SWAN Bronze for the School of Business and Management.

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; this work also further underpins our work and commitment with QMOut, our staff network for LGBT (lesbian, gay, bisexual and trans) staff. 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 after 2020.

Internal Control and Management of Risk

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 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 the University's 2030 Strategy; 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 2019 and up to the date of the approval of the Financial Statements, and accords with OfS guidance. Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- 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.
- Council receives periodic reports from the Chair of 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. Audit and Risk Committee approves the internal audit plan.

Statement of Corporate Governance and Internal Control (Continued)

- 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 2018/19 year, the Senior Executive Team has acted as the Risk Management Committee and had delegated responsibility for strategic risk and risk management processes throughout management at Queen Mary.
- Alongside the Strategic Risk Register, each Faculty, School and Professional Service department maintained its own risk register. The Risk Management Team within the Strategic Planning Office reviewed the operational risk registered and the outcomes of the review informed the development of the new strategic risk register.
- During the 18/19 academic year a new Strategic Risk Register was established which is aligned to the 13 key objectives of the 2030 Strategy. A full review was conducted of the nature of the risks to achieving each objective, of the mitigations that are in place and planned and of the rating of each Risk. Risk appetite statements were added to the register and a new system of flagging risk areas that are outside of tolerance was introduced.
- A new system of key performance is being developed to enable Council to monitor progress towards the achievement of strategic objectives.
- The Audit and Risk Committee receives an annual report on legal compliance, based on the legal compliance register which covers compliance areas that are relevant for Queen Mary's current and planned activities. The register is updated annually and is reviewed with external legal advice every 2-3 years. Based on the information received, the Committee was satisfied that Queen Mary has appropriate processes in place to meet its legal requirements and obligations.

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. Council has not identified any significant control weaknesses.

Responsibilities of Council

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, 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 Council following review by the 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, 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. 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.

Statement of Corporate Governance and Internal Control (Continued)

As far as 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.

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 Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and Investment Committee under delegated authority from 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.

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 Auditors' 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 2019 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

Independent Auditors' Report to the Council of Queen Mary University of London (continued)

- 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.

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.

Independent Auditors' Report to the Council of Queen Mary University of London (continued)

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 2019 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 2019; 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
XX November 2019

Consolidated and University Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	2	250,229	249,315	235,999	235,431
Funding body grants	3	71,282	71,282	71,538	71,538
Research grants and contracts	4	108,096	107,747	107,022	106,470
Other income	5	51,560	48,675	45,368	43,886
Investment income	6	1,594	1,584	524	467
Donations and endowments	7	1,096	996	1,465	1,702
Total income		483,857	479,599	461,916	459,494
Expenditure					
Staff costs	8	269,634	267,064	259,410	258,189
Pension provision movement	8	68,359	68,359	(2,524)	(2,524)
Other operating expenses		147,970	147,116	153,927	152,133
Depreciation and amortisation	12,13	34,649	33,813	34,358	33,611
Interest and other finance costs	9	6,179	5,289	3,513	2,618
Total expenditure	10	526,791	521,641	448,684	444,027
(Deficit)/Surplus before other gains/(losses) and share of operating profit/(loss) of associates		(42,934)	(42,042)	13,232	15,467
Share of profit in associates		27	-	33	-
(Loss)/gain on investments		(4,876)	(4,714)	460	494
Loss on disposal of fixed assets		(1,511)	(1,511)	(175)	(148)
(Deficit)/Surplus before tax		(49,294)	(48,267)	13,550	15,813
Taxation	11	(589)	(587)	(826)	(825)
(Deficit)/Surplus for the year		(49,883)	(48,854)	12,724	14,988
Gains/(losses) on associates and subsidiaries reserves		607	-	(122)	-
Actuarial (loss)/gain in respect of pension schemes	30	(150)	(150)	56	56
Total comprehensive income and expenditure for the year		(49,426)	(49,004)	12,658	15,044
Represented by:					
Endowment comprehensive income and expenditure for the year		(658)	(643)	(159)	(159)
Restricted comprehensive income and expenditure for the year		(100)	(243)	(256)	33
Unrestricted comprehensive income and expenditure for the year		(48,668)	(48,118)	13,073	15,170
Attributable to the University		(49,426)	(49,004)	12,658	15,044
Attributable to the non-controlling interest		-	-	-	-
		(49,426)	(49,004)	12,658	15,044
(Deficit)/Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
University		(49,883)	(48,854)	12,724	14,988

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2019

	Income and expenditure account			Total excluding non-controlling interest	Non-controlling interest	Total
	Endowment (note 22)	Restricted (note 23)	Unrestricted			
	£'000	£'000	£'000			
Consolidated						
As at 1 August 2017	34,266	2,935	431,257	468,458	(5)	468,453
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 1 August 2018	34,107	2,679	444,330	481,116	(5)	481,111
Surplus or (deficit) from the statement of comprehensive income and expenditure	(658)	(100)	(49,125)	(49,883)	-	(49,883)
Other comprehensive income	-	-	457	457	-	457
Total comprehensive income for the year	(658)	(100)	(48,668)	(49,426)	-	(49,426)
As at 31 July 2019	33,449	2,579	395,662	431,690	(5)	431,685
University						
As at 1 August 2017	34,251	2,418	435,327	471,996	-	471,996
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 1 August 2018	34,092	2,451	450,497	487,040	-	487,040
Surplus or (deficit) from the statement of comprehensive income and expenditure	(643)	(243)	(47,968)	(48,854)	-	(48,854)
Other comprehensive income	-	-	(150)	(150)	-	(150)
Total comprehensive income for the year	(643)	(243)	(48,118)	(49,004)	-	(49,004)
As at 31 July 2019	33,449	2,208	402,379	438,036	-	438,036

Consolidated and University Balance Sheet As at 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	12	7,351	7,351	9,395	9,395
Fixed assets	13	611,409	599,948	603,444	591,520
Investments	14	28,082	31,489	33,410	36,654
Investments in associates	15	917	298	302	298
		<u>647,759</u>	<u>639,086</u>	<u>646,551</u>	<u>637,867</u>
Current assets					
Stock		274	274	348	348
Trade and other receivables	16	61,441	64,644	60,932	63,154
Investments	17	120,867	120,867	11,384	11,384
Cash and cash equivalents	24	61,622	58,372	20,947	18,265
		<u>244,204</u>	<u>244,157</u>	<u>93,611</u>	<u>93,151</u>
Less: Creditors: amounts falling due within one year	18	(115,648)	(116,428)	(120,009)	(121,547)
		<u>128,556</u>	<u>127,729</u>	<u>(26,398)</u>	<u>(28,396)</u>
Net current liabilities		<u>128,556</u>	<u>127,729</u>	<u>(26,398)</u>	<u>(28,396)</u>
Total assets less current liabilities		<u>776,315</u>	<u>766,815</u>	<u>620,153</u>	<u>609,471</u>
Creditors: amounts falling due after more than one year	19	(237,859)	(222,008)	(101,460)	(84,849)
Provisions					
Pension provisions	20	(106,742)	(106,742)	(37,582)	(37,582)
Other provisions	21	(29)	(29)	-	-
		<u>431,685</u>	<u>438,036</u>	<u>481,111</u>	<u>487,040</u>
Total net assets		<u>431,685</u>	<u>438,036</u>	<u>481,111</u>	<u>487,040</u>
Restricted Reserves					
Income and expenditure reserve - endowment	22	33,449	33,449	34,107	34,092
Income and expenditure reserve - restricted	23	2,579	2,208	2,679	2,451
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		395,662	402,379	444,330	450,497
		<u>431,690</u>	<u>438,036</u>	<u>481,116</u>	<u>487,040</u>
Non-controlling interest		(5)	-	(5)	-
Total Reserves		<u>431,685</u>	<u>438,036</u>	<u>481,111</u>	<u>487,040</u>

The financial statements were approved by Council on 21 November 2019 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 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cash flow from operating activities					
(Deficit)/surplus for the year		(49,883)	(48,854)	12,724	14,988
Adjustment for non-cash items					
Depreciation	13	31,391	30,555	30,477	29,730
Amortisation of intangible assets	12	3,258	3,258	3,881	3,881
Loss/(gain) on investments		4,876	4,714	(460)	(494)
Decrease/(Increase) in stock		74	74	(173)	(173)
(Increase) in debtors	16	(561)	(1,490)	(9,067)	(9,226)
(Decrease)/Increase in creditors	18,19	(4,560)	(5,002)	17,530	15,491
Increase/(Decrease) in pension provision	20	69,160	69,160	(1,906)	(1,906)
Increase in other provisions		29	29	-	-
Actuarial (loss)/gain in respect of pension schemes		(150)	(150)	56	56
Share of (profit)/loss in associates		(27)	-	(33)	-
Adjustment for investing or financing activities					
Investment income	6	(1,594)	(1,584)	(524)	(467)
Interest payable on loans and finance leases	9	5,346	4,456	2,774	1,879
Endowment income	7	(104)	(119)	(83)	(83)
Loss on disposal of fixed assets		1,511	1,511	174	149
Capital grant income		(9,948)	(9,948)	(11,043)	(11,043)
Net cash generated from operating activities		48,818	46,610	44,327	42,782
Cash flows from investing activities					
Capital grants receipts		9,948	9,948	11,043	11,043
Disposal of non-current asset investments		519	519	1,153	1,153
Purchase of non-current asset investments		(250)	(250)	-	-
Cash movements on managed funds		1,219	1,219	687	687
Investment income		1,594	1,584	524	467
Payments made to acquire fixed assets		(40,868)	(40,493)	(40,834)	(40,611)
Payments made to acquire intangible assets		(1,215)	(1,215)	(1,935)	(1,935)
New bank deposits		(110,521)	(110,521)	-	-
Net cash used in investment activities		(139,574)	(139,209)	(29,362)	(29,196)
Cash flows from financing activities					
Loan interest		(5,870)	(4,979)	(3,295)	(2,401)
Interest element of finance lease net of rebate		(1)	(1)	(11)	(11)
Endowment cash received		104	119	83	83
New unsecured loans		160,000	160,000	21,000	21,000
Repayments of amounts borrowed		(22,306)	(21,937)	(28,904)	(28,904)
Capital element of finance lease payments		(496)	(496)	(976)	(976)
Net cash generated from / (used in) investment activities		131,431	132,706	(12,103)	(11,209)
Increase in cash and cash equivalents in the year		40,675	40,107	2,862	2,377
Cash and cash equivalents at beginning of the year		20,947	18,265	18,085	15,888
Cash and cash equivalents at end of the year		61,622	58,372	20,947	18,265
	24	40,675	40,107	2,862	2,377

Notes to the Financial Statements

for the year ended 31 July 2019

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). They have also been prepared in accordance with the accounts direction issued by the Office for Students dated 19 June 2018, except for the disclosures in note 8, which have been prepared in accordance with paragraph 12 of the accounts direction issued 25 October 2019. We have chosen to adopt the provisions of this specific paragraph early in accordance with paragraph 6 of the 2019 accounts direction. 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 2019. 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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

- 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.

Accounting for retirement benefits

As described in note 30, 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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

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 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 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. All interest-bearing loans and borrowings which are non-basic financial instruments are measured at fair value through 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.

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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

Fixed assets (continued)

- 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.
- 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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

1 Accounting Policies (continued)

Accounting Estimates and Judgements

There were no critical judgements in the year made in the process of applying the accounting policies.

The following are key sources of uncertainty in the estimates that have the most significant effect on the amounts recognised in the financial statements:

Pension provision assumptions

In the judgement of the University it is appropriate to account for the USS past deficit obligation in accordance with the deficit recovery plan agreed after the 2017 valuation. This covers the period from 28 January 2019 to 20 June 2034 and provides for Deficit Recovery Contributions (DRC's) of 5% for a period of 14 years and 3 months from 1 April 2020. This is a significant increase over the previous Deficit Recovery Contributions of 2.1% up to March 2031 that was in place at 31 July 2018. Following the report of the Joint Expert Panel, work was undertaken to finalise a further valuation as of 31 March 2018 reflecting updated assumptions, however, this had not been completed in time for a revised Schedule of Contributions based on this 2018 valuation to be signed before 31 July 2019. The current Schedule of Contributions following the 2017 valuation is therefore the basis of the USS deficit provision for the 2019 financial year.

The rate used to discount future contributions to the USS deficit recovery plan at the balance sheet date reflects the yield on high quality corporate bonds consistent with the currency and estimated period of 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 provision are the estimated salary inflation in future years and estimated changes in number of staff who are members of the USS pension scheme in future years. These are both consistent with our internal financial forecasting assumptions.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

2 Tuition fees and education contracts	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Full-time home and EU students	122,547	121,633	120,102	120,102
Full-time international students	112,196	112,196	100,383	99,815
Part-time students	5,908	5,908	5,983	5,983
Short course fees	3,440	3,440	2,717	2,717
Other fees and support grants	1,346	1,346	1,325	1,325
Education contracts	4,792	4,792	5,489	5,489
	250,229	249,315	235,999	235,431
3 Funding body grants	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Recurrent grant				
Revenue				
Higher Education Funding Council	-	-	40,572	40,572
Office for Students	27,740	27,740	6,509	6,509
Research England	31,690	31,690	11,023	11,023
Capital				
Higher Education Funding Council	-	-	5,141	5,141
Office for Students	1,653	1,653	-	-
Research England	3,743	3,743	-	-
Specific grants				
Revenue				
Higher Education Funding Council	-	-	1,790	1,790
Office for Students	20	20	20	20
Research England	1,485	1,485	141	141
Capital				
Higher Education Funding Council	-	-	1,480	1,480
Office for Students	785	785	1,760	1,760
Research England	-	-	-	-
Higher Education Innovation Fund				
Higher Education Funding Council	-	-	1,861	1,861
Research England	4,166	4,166	1,241	1,241
	71,282	71,282	71,538	71,538

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

4	Research grants and contracts	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Research councils	30,148	30,111	28,445	28,409
	Research charities	38,146	38,146	33,050	33,050
	Government (UK and overseas)	21,538	21,501	28,584	28,418
	Industry and commerce	13,758	13,758	13,279	13,279
	Other	4,506	4,231	3,664	3,314
		<u>108,096</u>	<u>107,747</u>	<u>107,022</u>	<u>106,470</u>
	Included within Research grants and contracts above are capital grants of:	<u>3,193</u>	<u>3,193</u>	<u>2,116</u>	<u>2,116</u>
5	Other income	Year ended 31 July 2019		Year ended 31 July 2018	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Residences, catering and conferences	21,520	21,389	16,883	16,782
	Other services rendered	6,556	6,721	8,140	8,403
	Health Authorities	10,959	10,959	10,427	10,427
	Other revenue income	11,951	9,032	9,522	7,878
	Other capital income	574	574	396	396
		<u>51,560</u>	<u>48,675</u>	<u>45,368</u>	<u>43,886</u>
6	Investment income	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	Investment income on expendable endowments	106	106	112	112
	Investment income on permanent endowments	246	246	234	234
	Investment income on restricted reserves	1	-	-	-
	Other investment income	1,094	1,085	147	90
	Net return on pension scheme	147	147	31	31
		<u>1,594</u>	<u>1,584</u>	<u>524</u>	<u>467</u>
7	Donations and endowments	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
	New endowments	104	119	83	83
	Donations with restrictions	529	418	745	934
	Unrestricted donations	463	459	637	685
		<u>1,096</u>	<u>996</u>	<u>1,465</u>	<u>1,702</u>
	Included within donations above are capital donations of:	<u>-</u>	<u>-</u>	<u>150</u>	<u>150</u>

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

8 Staff costs	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Staff costs:				
Salaries	214,392	212,152	206,650	205,570
Social security costs	21,774	21,634	21,176	21,069
Movement in holiday pay accrual	(81)	(81)	281	280
Other pension costs	32,080	31,890	30,297	30,264
Compensation for loss of office	1,469	1,469	1,006	1,006
	269,634	267,064	259,410	258,189
Pension provision movements:				
Movement on USS provision	68,359	68,359	(1,912)	(1,912)
Movement on SAUL provision	-	-	(612)	(612)
	68,359	68,359	(2,524)	(2,524)
	337,993	335,423	256,886	255,665

Compensation for loss of office:	2019 Consolidated	2018 Consolidated
Total amount of compensation for loss of office	£ 1,468,557	£ 1,006,122
Number of people to whom this was payable	144	131

Average FTE staff numbers by major category :	2019 Consolidated No.	2018 Consolidated No.
Academic, education and research	2,289	2,194
Professional services	1,461	1,432
Technical services	273	259
Operational services	274	279
	4,297	4,164

Remuneration of the President and Principal: Professor Colin Bailey

	2019 £	2018 From 1 Sept 2017 £
Emoluments:		
Basic Salary	275,000	252,083
Market Supplement	25,000	22,917
Benefits in kind - taxable		
Utilities, service charge and furniture in Principal's accommodation	8,249	2,799
Taxable accommodation	400	174
Benefits in kind - non taxable		
Rent paid on accommodation provided by the University	0	12,458
Estimated value of accommodation provided in University owned property	0	0
Total remuneration before pension contributions	308,649	290,431
Pension Contributions to USS	6,300	5,775
Total remuneration including pension contributions	314,949	296,206

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

8 Staff costs (continued)

Remuneration of the President and Principal (continued)

The benefits in kind figures for the Principal's accommodation for 2018 have been restated so that they are included on the basis of the HMRC taxable value. This follows HMRC's withdrawal of the customary tax exemption so that the benefit is now a taxable rather than non-taxable benefit. Previously the accommodation benefit had been calculated as a non-taxable benefit based on the commercial rental value of the property of £65,000 per annum.

JUSTIFICATION O/S

The Remuneration Committee publishes an Annual Remuneration Report at:
<http://www.arcs.qmul.ac.uk/governance/council/committees/remuneration-committee/>

Relationship between Professor Colin Bailey's emoluments and the median value for all staff employed by the University:	2019 Median	2018 Median
Basic Salary (median calculated as full-time equivalent for the salaries of all staff)	8.0	8.2
Total remuneration (median calculated as full-time equivalent for the remuneration of all staff)	7.7	7.7

Median Calculations

The median calculations for 2018 have been restated to include market supplements within basic salary and to take account of the restated value of the Principal's accommodation benefit as described above.

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's Senior Executive who are listed on the final page of the financial statements.

Emoluments:	2019 £	2018 £
Salary	1,911,920	1,926,287
Benefits in kind	8,649	15,431
Severance	88,900	-
Total remuneration before pension contributions	2,009,468	1,941,718
Pension Contributions to USS	196,618	191,762
Total remuneration including pension contributions	2,206,087	2,133,479

The emoluments of the Key Management Personnel for 2018 have been restated to include the restated value of the Principal's accommodation benefit as described above.

Trustees (Council Members)

The Trustees neither received nor waived any emoluments during the year (2018: £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 2019 3 Trustees (2018: 4) were reimbursed a total of £1,712 (2018: £1,505).

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

8 Staff costs (continued)

The number of staff who earned a basic salary of over £100,000 in the year	2019 No.	2018 No.
£100,000 - £104,999	28	27
£105,000 - £109,999	10	12
£110,000 - £114,999	10	7
£115,000 - £119,999	7	6
£120,000 - £124,999	9	11
£125,000 - £129,999	7	6
£130,000 - £134,999	5	3
£135,000 - £139,999	3	0
£140,000 - £144,999	1	4
£145,000 - £149,999	1	2
£150,000 - £154,999	2	2
£155,000 - £159,999	1	1
£165,000 - £169,999	1	0
£170,000 - £174,999	2	0
£190,000 - £194,999	1	0
£255,000 - £259,999	1	0
£275,000 - £279,999	0	1
£300,000 - £304,999	1	0
	90	82

The 2018 staff numbers have been restated to include market supplement within basic pay.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9 Interest and other finance costs				
Loan interest	5,345	4,455	2,763	1,868
Finance lease interest	1	1	11	11
Net charge on pension scheme	833	833	739	739
	6,179	5,289	3,513	2,618
10 Analysis of total expenditure by activity				
	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	215,811	213,932	217,114	214,890
Administration and central services	73,703	73,703	72,313	72,309
Premises	35,593	34,996	41,116	41,012
Residences, catering and conferences	24,433	24,159	14,758	14,545
Research grants and contracts	99,370	99,152	103,221	103,074
Pension Provision	68,359	68,359	(2,542)	(2,542)
Other expenses	9,522	7,340	2,704	739
	526,791	521,641	448,684	444,027
	2019 Consolidated £'000		2018 Consolidated £'000	
Other operating expenses include:				
External auditor's remuneration in respect of audit services	33		149	
External auditor's remuneration in respect of non-audit services	116		-	
Operating lease rentals				
Land and buildings	-		2,478	
Other	4,946		1,950	
11 Taxation				
	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Current tax				
Current tax expense	589	587	826	825
Current tax expense	589	587	826	825
Deferred tax	-	-	-	-
Total tax expense	589	587	826	825

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

12 Intangible Assets

	Software £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated and University			
Cost and valuation			
As at 1 August 2018	23,255	2,040	25,295
Additions	-	1,214	1,214
Transfers	1,448	(1,448)	-
Disposals	-	-	-
As at 31 July 2019	24,703	1,806	26,509
Amortisation			
As at 1 August 2018	15,900	-	15,900
Charge for the year	3,258	-	3,258
Disposals	-	-	-
As at 31 July 2019	19,158	-	19,158
Net book value			
As at 31 July 2019	5,545	1,806	7,351
As at 31 July 2018	7,355	2,040	9,395

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

13 Fixed Assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 1 August 2018	492,008	50,551	35,638	110,126	32,053	720,376
Additions	-	-	-	375	40,493	40,868
Transfers	15,156	87	348	7,859	(23,450)	-
Disposals	-	-	(2,812)	(13,813)	-	(16,625)
As at 31 July 2019	507,164	50,638	33,174	104,547	49,096	744,619
Depreciation						
As at 1 August 2018	24,045	8,275	13,107	71,505	-	116,932
Charge for the year	9,283	2,055	3,342	16,711	-	31,391
Disposals	-	-	(2,812)	(12,301)	-	(15,113)
As at 31 July 2019	33,328	10,330	13,637	75,915	-	133,210
Net book value						
As at 31 July 2019	473,836	40,308	19,537	28,632	49,096	611,409
As at 31 July 2018	467,963	42,276	22,531	38,621	32,053	603,444
University						
Cost or valuation						
As at 1 August 2018	484,628	50,551	29,676	107,170	32,053	704,078
Additions	-	-	-	-	40,493	40,493
Transfers	15,156	87	348	7,859	(23,450)	-
Disposals	-	-	(2,812)	(13,813)	-	(16,625)
As at 31 July 2019	499,784	50,638	27,212	101,216	49,096	727,946
Depreciation						
As at 1 August 2018	23,455	8,275	10,883	69,945	-	112,558
Charge for the year	9,135	2,055	2,992	16,373	-	30,555
Disposals	-	-	(2,812)	(12,303)	-	(15,115)
As at 31 July 2019	32,590	10,330	11,063	74,015	-	127,998
Net book value						
As at 31 July 2019	467,194	40,308	16,149	27,201	49,096	599,948
As at 31 July 2018	461,173	42,276	18,793	37,225	32,053	591,520
Leased assets included above:						
Net Book Value:						
As at 31 July 2019	-	-	40,308	-	-	40,308
As at 31 July 2018	-	-	42,276	539	-	42,815

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 2019 includes land with a cost of £280,980,000 (2018: £280,980,000) which is not depreciated.

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

	31 July 2019	31 July 2018
	Consolidated	Consolidated
	£'000	£'000
Cost	8,816	8,816
Accumulated depreciation	(8,277)	(7,310)
Charge for year	(539)	(967)
Net book value	-	539

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.

Notes to the Financial Statements (Continued)
for the year ended 31 July 2019

14 Non-Current Investments

	Subsidiary companies £'000	Other Investments £'000	Shared Equity Property £'000	Total £'000
Consolidated				
As at 1 August 2018	-	32,249	1,161	33,410
Additions	-	15	250	265
Disposals	-	(263)	(161)	(424)
Change in fair value of managed investment portfolio	-	(28)	-	(28)
Change in fair value of other investments	-	(4,922)	-	(4,922)
Management fee on managed investment portfolio	-	(219)	-	(219)
As at 31 July 2019	-	26,832	1,250	28,082

	Subsidiary companies £'000	Other Investments £'000	Shared Equity Property £'000	Total £'000
University				
As at 1 August 2018	3,516	31,977	1,161	36,654
Additions	-	15	250	265
Disposals	-	(263)	(161)	(424)
Change in fair value of managed investment portfolio	-	(28)	-	(28)
Change in fair value of other investments	-	(4,759)	-	(4,759)
Management fee on managed investment portfolio	-	(219)	-	(219)
As at 31 July 2019	3,516	26,723	1,250	31,489

	As at 31 July 2019 Consolidated £'000	As at 31 July 2019 University £'000	As at 31 July 2018 Consolidated £'000	As at 31 July 2018 University £'000
Other non-current investments consist of :				
hVIVO plc	450	406	1,514	1,365
Actual Experience plc	3,719	3,654	7,041	6,918
Biomoti Limited	110	110	110	110
Landr Audio Inc	263	263	1,063	1,063
CVCP Properties	53	53	53	53
Managed Investment Portfolio - Permanent Endowment Funds:				
Fixed interest stocks	9,468	9,468	9,420	9,420
Equities	8,975	8,975	9,994	9,994
Other investments	3,794	3,794	3,054	3,054
	26,832	26,723	32,249	31,977

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

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

15 Investment in associates

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
As at 1 August 2018	302	298	94	1
Additions	-	-	-	-
Transfer from non-current investments	-	-	297	297
Share of profit/(loss)	27	-	33	-
Change in reserves	588	-	(122)	-
As at 31 July 2019	917	298	302	298

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	22.90%	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
Stealthy 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	29.10%	CCTV analytics
Warblr Limited	England	Ordinary	33.30%	Software development
William Harvey Research Limited	England	Ordinary	40.00%	Research
Kinomica Limited	England	Ordinary	29.10%	Analysis of biological samples
Ultima Forma Limited	England	Ordinary	24.00%	Novel metal manufacturing

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

Vision Semantics (HK) Limited	Hong Kong	Ordinary	29.10%	CCTV analytics
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Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

16 Trade and other receivables	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grant receivables	32,172	32,172	30,290	30,240
Other trade receivables	18,121	17,535	19,646	19,576
Other receivables	1,312	1,300	1,721	1,696
Prepayments and accrued income	9,807	9,625	9,232	8,828
Amounts due from subsidiary companies	-	3,983	-	2,771
Amounts due from associate companies	29	29	43	43
	61,441	64,644	60,932	63,154
Amounts falling due after one year:				
Other receivables	-	-	-	-
	61,441	64,644	60,932	63,154

Amounts due from associate companies are trading balances.

Amounts due from subsidiaries include inter-company balances of £3,428,082 with QMUL Malta Ltd and £374,860 with Queen Mary Innovation Ltd which are repayable on demand. The remaining £180,063 is a trading balance.

17 Current Investments	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
As at 1 August 2018	11,384	11,384	10,022	10,022
Movements on managed funds	(922)	(922)	3	3
Movements on deposits	110,520	110,520	(337)	(337)
Transfers from non-current investments	-	-	1,534	1,534
(Loss)/Gain on revaluation	(21)	(21)	271	271
Management fees	(94)	(94)	(109)	(109)
As at 31 July 2019	120,867	120,867	11,384	11,384
Current investments consist of :				
Managed Investment Portfolio:				
Equities	4,176	4,176	5,064	5,064
Fixed interest stocks	4,405	4,405	4,773	4,773
Other investments	1,765	1,765	1,547	1,547
Bank Deposits	110,521	110,521	-	-
	120,867	120,867	11,384	11,384

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

18 Creditors: amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured Loans	760	-	370	-
Unsecured loans	953	953	937	937
Obligations under finance leases	186	186	496	496
Trade payables	14,105	14,042	17,017	16,866
Social security and other taxation payable	5,801	5,796	5,830	5,766
Research grants/contracts in advance	57,291	57,291	53,946	53,947
Accruals and deferred income	28,804	27,971	34,224	33,568
Amounts owed to subsidiaries	-	3,250	-	3,298
Other creditors	7,748	6,939	7,189	6,669
	115,648	116,428	120,009	121,547

Amounts due to subsidiaries includes £3,147,121 due to QMW Developments Ltd which is repayable on demand. The remaining £102,952 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	642	642	1,969	1,969
Other income	4,943	4,566	4,700	4,700
	5,585	5,208	6,669	6,669

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

19 Creditors: amounts falling due after more than one year

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Obligations under finance leases		-	-	186	186
Secured loans		15,851	-	16,611	-
Unsecured loans and notes		210,942	210,942	72,895	72,895
Other creditors		11,066	11,066	11,768	11,768
		<u>237,859</u>	<u>222,008</u>	<u>101,460</u>	<u>84,849</u>
Analysis of secured and unsecured loans and notes:					
Due within one year or on demand	18	<u>1,713</u>	<u>953</u>	1,307	937
Due between one and two years		1,829	1,013	22,722	21,953
Due between two and five years		6,943	3,257	6,644	3,149
Due in five years or more		<u>218,021</u>	<u>206,672</u>	<u>60,140</u>	<u>47,793</u>
Due after more than one year		<u>226,793</u>	<u>210,942</u>	<u>89,506</u>	<u>72,895</u>
Total secured and unsecured loans		<u>228,506</u>	<u>211,895</u>	<u>90,813</u>	<u>73,832</u>
Unsecured loans repayable by 2020		-	-	21,000	21,000
Unsecured loans repayable by 2042		51,895	51,895	52,832	52,832
Unsecured notes repayable by 2049		105,000	105,000	-	-
Unsecured notes repayable by 2058		55,000	55,000	-	-
Secured loans repayable by 2034		16,611	-	16,981	-
		<u>228,506</u>	<u>211,895</u>	<u>90,813</u>	<u>73,832</u>
Included in loans and notes are the following:					
Lender		Amount £'000	Term	Interest rate	Borrower
Unsecured bank loan					
Lloyds Bank PLC		44,642	2042	5.01%	QMUL
Lloyds Bank PLC		7,253	2042	0.18% above LIBOR	QMUL
		<u>51,895</u>			
Unsecured notes					
Metropolitan Life Insurance Company		42,200	2049	2.97%	QMUL
Metropolitan Tower Life Insurance Company		13,000	2049	2.97%	QMUL
MetLife Insurance K.K.		6,800	2049	2.97%	QMUL
Brighthouse Life Insurance Company of NY		4,500	2049	2.97%	QMUL
Pensionskasse des Bundes Publica		8,500	2049	2.97%	QMUL
New York Life Insurance Company		19,000	2049	2.97%	QMUL
New York Life Insurance & Annuity Corporation		11,000	2049	2.97%	QMUL
Pension Insurance Corporation Plc		55,000	2058	3.10%	QMUL
		<u>160,000</u>			
Secured bank loan					
Barclays Bank PLC		16,611	2034	5.27%	Queen Mary Bioenterprises Ltd
Total		<u>228,506</u>			

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 2019 of £11,007,000.

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 2019

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 2018	37,444	-	138	37,582
Contributions paid for deficit recovery plan	(1,891)	-	(35)	(1,926)
Change in assumptions	70,250	-	-	70,250
Unwinding of discount	818	-	-	818
Actuarial gain	-	-	150	150
Net return on assets	-	-	(132)	(132)
As at 31 July 2019	106,621	-	121	106,742

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. Key assumptions are set out below and further information is provided in note 30(i).

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £37.4 million to £106.6 million. £69.6 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 8 in respect of significant one-off pension costs. More details on the 2017 actuarial valuation are set out in note 30 (i). Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 30 (i). As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £62.8 million, a decrease of £43.8 million from the current year end provision.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	1.60%	2.19%
Salary inflation	2.50%	2.50%

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

20 Pension Provisions (continued)

Sensitivity analysis:

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Change in assumptions at 31 July 2019	Approximate impact £000
0.5% pa decrease in discount rate	4,554
0.5% pa increase in salary inflation over duration	4,490
0.5% pa increase in salary inflation year 1 only	520
0.5% increase in staff changes over duration	4,590
0.5% increase in staff changes year 1 only	518
1% increase in deficit contributions from April 2020	20,928
1 year increase in term	5,997

Defined Benefit Pension Obligation

The defined pension benefit obligation relates to the actuarial deficit on the London Hospital and St Bartholomew's Hospital medical colleges pension scheme. Under the current deficit recovery plan, the University has agreed to reduce the actuarial deficit by annual payments on 1 August each year. The initial payment of £32,000 rising each year in line with the Consumer Prices Index (CPI) to the previous September. A revised deficit recovery plan following the recent 2018 valuation is still to be agreed.

21 Other Provisions

Consolidated and University	Other Provisions £'000
As at 1 August 2018	-
Utilised in year	-
Additions in year	29
Unused amounts reversed	-
As at 31 July 2019	29

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

Consolidated	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2019 £'000	2018 £'000
As at 1 August 2018					
Capital	20,537	1,931	-	22,468	23,664
Accumulated income	1,257	-	10,382	11,639	10,602
	21,794	1,931	10,382	34,107	34,266
Recategorisation - capital	-	-	-	-	(1,534)
Recategorisation - accumulated income	-	-	-	-	1,534
	21,794	1,931	10,382	34,107	34,266
New endowments	15	-	1	16	3
Increase in market value of investments	(25)	(2)	(21)	(48)	837
Management fee applied to Capital	(201)	(18)	(94)	(313)	(338)
Investment income	226	20	106	352	346
Expenditure	(201)	(20)	(532)	(753)	(1,087)
Repayment of Benevolence Loans	88	-	-	88	80
Total endowment comprehensive income for the year	(98)	(20)	(540)	(658)	(159)
As at 31 July 2019	21,696	1,911	9,842	33,449	34,107
Represented by:					
Capital	20,325	1,911	-	22,236	22,468
Accumulated income	1,371	-	9,842	11,213	11,639
	21,696	1,911	9,842	33,449	34,107
Analysis by type of purpose:					
Centre for Commercial Law Studies	14,454	-	1,221	15,675	15,779
Lectureships	432	-	58	490	507
Scholarships and bursaries	4,143	-	1,434	5,577	5,747
Research support	530	1,515	4,554	6,599	7,083
Prize funds	1,809	-	20	1,829	1,689
General	328	396	2,555	3,279	3,302
	21,696	1,911	9,842	33,449	34,107
Analysis by asset:					
				2019	2018
				£'000	£'000
Current and non-current asset investments				32,582	33,851
Cash & cash equivalents				867	256
				33,449	34,107

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

23 Restricted Reserves

Reserves with restrictions are as follows:

Consolidated	2019 Donations £'000	2018 Donations £'000
As at 1 August 2018	2,679	2,935
	2,679	2,935
New grants	1,573	1,108
New donations	529	745
Investment income	1	-
Expenditure	(2,203)	(2,109)
Total restricted comprehensive income for the year	(100)	(256)
As at 31 July 2019	2,579	2,679

Analysis of restricted funds by type of purpose:

Scholarships and bursaries	539	442
Research support	1,361	1,367
Other	679	870
	2,579	2,679

24 Cash and cash equivalents

Consolidated	As at 1 August 2018 £'000	Cash flows £'000	As at 31 July 2019 £'000
Cash and cash equivalents	20,947	40,675	61,622
Bank overdraft	-	-	-
	20,947	40,675	61,622

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

25 Financial Instruments	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets				
Measured at fair value through income and expenditure				
Managed Investment Portfolio	32,582	32,582	33,851	33,851
Listed non-current investments	4,060	4,060	8,282	8,282
Measured at amortised cost				
Cash and cash equivalents	61,622	58,372	20,947	18,265
Bank deposits	110,521	110,521	-	-
Measured at undiscounted amount receivable				
Research grant receivables	32,172	32,172	30,290	30,240
Trade and other receivables	19,433	18,835	21,367	21,272
Equity instruments measured at cost less impairment				
Shares not listed	427	3,943	1,226	4,742
Investments in Associates	917	298	302	298
	<u>261,734</u>	<u>260,783</u>	<u>116,265</u>	<u>116,950</u>
Financial liabilities				
Measured at fair value through income and expenditure				
Unsecured notes	160,000	160,000	-	-
Debt instruments measured at amortised cost				
Loans	68,506	51,895	90,813	73,832
Finance Leases	186	186	682	682
Measured at undiscounted amount payable				
Trade and other payables	14,105	14,042	17,017	16,866
	<u>242,797</u>	<u>226,123</u>	<u>108,512</u>	<u>91,380</u>

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

26 Capital and other commitments

Provision has not been made for the following capital commitments:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	<u>7,861</u>	<u>7,861</u>	<u>5,336</u>	<u>5,336</u>

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

27 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 2019 the value of the drawdowns including bank interest stood at £16,981,157 (2018: £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 2019 the value of the government grant received stood at £7,000,000 (2018: £7,000,000).

28 Lease obligations

Total rentals payable under operating leases:

	As at 31 July 2019			As at 31 July 2018
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	Total £'000
Payable during the year	<u>4,946</u>	<u>1,230</u>	<u>6,176</u>	<u>4,428</u>
Future minimum lease payments due:				
Not later than 1 year	5,257	671	5,928	2,917
Later than 1 year and not later than 5 years	19,403	411	19,814	8,356
Later than 5 years	<u>61,113</u>	<u>-</u>	<u>61,113</u>	<u>7,732</u>
Total lease payments due	<u>85,773</u>	<u>1,082</u>	<u>86,855</u>	<u>19,005</u>

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

29 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 2019

30 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 2019		
	USS %	SAUL %	NHS %
Employees' contributions - final salary scheme	N/A	N/A	5 - 14.5*
Employees' contributions - career revalued benefits scheme	8.8	6.0	5 - 14.5*
Employer's contributions	19.5	16.0	20.7

	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

* tiered contribution rates depending on salary

	2019 £000	2018 £000
Contribution to USS	24,991	23,749
Contribution to SAUL	4,442	4,164
NHS Public Service Scheme	2,644	2,381
Contribution paid to other pension schemes	3	3
	<u>32,080</u>	<u>30,297</u>

At 31 July 2019 £4,195,000 (2018: £3,836,000) 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 total cost charged to the Consolidated Statement of Comprehensive Income is £69,176,696 (2018: £1,185,707 credit).

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 recovery 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 2017 (the valuation date), which was carried out using the projected unit method. As at the year end the valuation as at 31 March 2018 was underway but not yet complete.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

30 Pension Schemes (continued)

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 those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI):

Term dependant rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

Discount rate (forward rates):

Years 1-10 CPI -0.53% reducing linearly to CPI -1.32%

Years 11-20 CPI +2.56% reducing linearly to CPI +1.7% by year 21

Years 21 + CPI +1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post-retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 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

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £37.4 million to £106.6 million as set out in note 20. £69.6 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 8 in respect of significant one-off pension costs.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £62,769,951, a decrease of £43,850,971 from the current year end provision and a lower charge to the Consolidated Statement of Comprehensive Income of £25,325,725.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

30 Pension Schemes (continued)

(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.

(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.

Notes to the Financial Statements (Continued)

for the year ended 31 July 2019

30 Pension Schemes (continued)

(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. A full actuarial valuation of the scheme was carried out at 31 July 2015 and preliminary results have been prepared for the actuarial valuation as at 31 July 2018. The preliminary results of the 2018 valuation indicate that the value of the assets was lower than the liabilities resulting in a deficit of £358,000. Under the current deficit recovery plan based on the 2015 valuation, the University has agreed 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. A revised deficit recovery plan following the 2018 valuation is still to be agreed. QMUL 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 2019 £000	Value at 31 July 2018 £000
Deficit in scheme at 1 August	(138)	(252)
Contribution by employer	35	34
Current service cost	(15)	(7)
Return on assets excluding interest income	147	31
Actuarial (loss)/gain	(150)	56
Deficit in scheme at 31 July	<u>(121)</u>	<u>(138)</u>

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. £18,000 has been debited to the income and expenditure account in the year (2018: £80,000 credit).

(v) Defined contribution scheme

One of the University's subsidiaries offered a defined contribution scheme to its staff. The cost for the year was £3,149 (2018: £2,940). 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 2019

31 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 arm's 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
Dr Talhah Atcha	The President of the Students' Union 2019-20	Director	QMSU Services Ltd	133	256	616	0
Mr Ahmed Mahbub	The President of the Students' Union 2018-19	Director	QMSU Services Ltd				
Sarah Cowls	Member of Council	Director	QMSU Services Ltd				
Dr Talhah Atcha	The President of the Students' Union 2019-20	Chair of Trustees	Queen Mary Students' Union	47	2,365	230	16
Mr Ahmed Mahbub	The President of the Students' Union 2018-19	Chair of Trustees	Queen Mary Students' Union				
Prof Colin Bailey	Principal	Director	The Russell Group of Universities	0	80	0	0
Prof Colin Bailey	Principal	Director	UCL Partners	22	0	2	0
Dr Veronique Bouchet	Member of Council	Member of Scientific Committee	Breast Cancer Now	458	0	173	0
Lord Clement-Jones CBE	Chairman	Board Member Corporate Finance Faculty of the Institute of Chartered Accountants in England and Wales	ICAEW	12	0	0	0
Sarah Cowls	Member of Council	Trustee	University Schools Trust	3	3	0	0
Celia Gough	Member of Council	Director	Veolia Group Companies	0	34	0	1
Prof Colin Grant	Vice Principal	Strategic Advisory Board	Universities UK International	0	47	0	0
Prof Matthew Hilton	Vice Principal	Advisory Board Member	AHRC	612	0	0	0
Joanne Jones	Member of Executive Board	Trustee	LHMC pension scheme	147	165	0	121
Joanne Jones	Member of Executive Board	Finance Committee Member	UCAS	0	147	0	0
Isabelle Jenkins	Member of Council	Partner	PwC LLP	42	25	5	0
Prof Steve Thornton	Vice Principal	Trustee	Medical Schools Council	0	29	0	4
Prof Steve Thornton	Vice Principal	Board Member	Barts NHS Trust	15,235	3,393	3,722	172
Prof Steve Thornton	Vice Principal	Trustee	Wellbeing of Women	50	0	0	0
Prof Steve Thornton	Vice Principal	Trustee	William Harvey Research Foundation	125	0	23	0

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 2019

32 Post Balance Sheet Events

USS pension provision

As set out in Note 20 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £43,850,971 in the provision for the obligation to fund the deficit on the USS pension which would be £62,769,951 instead of £106,620,922. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

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 Luke Savage

Vice-Chair Ms Monica Chadha

Ex Officio Members

The President and Principal Professor Colin Bailey

The President of the Students' Union 2018/19 Mr Ahmed Mahbub (tenure 01/08/18 to 31/07/19)

The President of the Students' Union 2019/20 Dr Talhah Atcha (tenure 01/08/19 to 31/07/20)

Nominees of the President and Principal

		Tenure ends
Vice-Principal, International	Professor Colin Grant (appointed 09/04/19)	09/04/23
Vice-Principal, Policy and Strategic Partnerships	Dr Philippa Lloyd (appointed 09/04/19)	09/04/23
Vice-Principal, Research	Professor Bill Spence (resigned 31/12/18)	31/12/18
Vice-Principal, School of Medicine and Dentistry	Professor Steve Thornton (resigned 08/04/19)	08/04/19

Elected Members [Staff]

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	30/09/21
Dr Mangala Patel	30/09/21
Professor Wen Wang	30/09/21

External Members

Mr Ade Adefulu (appointed 04/03/19)	04/03/23
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	07/01/22
Ms Bushra Nasir	31/08/21
Mr Luke Savage	31/01/22
Mr Peter Thompson	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 (resigned 31/07/2019)

Senior Executive Team 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 Colin Bailey

Other Members

Vice-Principal and Executive Dean (Science and Engineering)	Professor Wen Wang
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 05/08/18)
Vice-Principal (Education)	Professor Stephanie Marshall
Vice-Principal (Public Engagement and Student Enterprise)	Professor Peter McOwan (resigned xx/xx/xx)
Vice-Principal (International)	Professor Colin Grant
Vice-Principal (Research)	Professor Bill Spence (resigned xx/xx/xx)
Vice-Principal and Executive Dean (Health)	Professor Steve Thornton
Vice-Principal (Policy and Strategic Partnerships)	Dr Philippa Lloyd (appointed xx/xx/xx)
Chief Operating Officer	Ms Laura Gibbs (resigned 09/10/18)
Director of Finance and Resources	Ms Joanne Jones
Academic Registrar and Council Secretary	Mr Jonathan Morgan (appointed xx/xx/xx)

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London**