



2014/15 Financial Statements

Outcome requested:	Council is invited to approve the financial statements for 2014/15, on the recommendation of Audit and Risk committee.														
Executive Summary:	<p>The financial statements comprise:</p> <ul style="list-style-type: none"> • Report by the President and Principal • Charitable Status and Public Benefit Statement • Financial and Operating Review • Statement of Corporate Governance and Internal Control • Independent Auditor's Report • Consolidated income and expenditure account, balance sheet, cash flow and associated notes including statement of accounting policies. <p>The group operating surplus was £19.4m, however there were one off transactions that adjust our underlying operating surplus to £13.1m:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Financial statements surplus</td> <td style="text-align: right;">19.4</td> </tr> <tr> <td>less asset sale</td> <td style="text-align: right;">-0.2</td> </tr> <tr> <td>Endowment fund adjustment</td> <td style="text-align: right;">-1.1</td> </tr> <tr> <td>Surplus after asset sales & endowment adjustment</td> <td style="text-align: right;">18.1</td> </tr> <tr> <td>Less RDEC (a refund from HMRC relating to research activity)</td> <td style="text-align: right;">-7.3</td> </tr> <tr> <td>Lloyds lease adjustment (correcting accounting treatment of an existing lease due to be repaid in 2015/16)</td> <td style="text-align: right;">2.3</td> </tr> <tr> <td>Underlying financial performance</td> <td style="text-align: right;"><u>13.1</u></td> </tr> </table> <p>The underlying performance was particularly impacted by the HEFCE funding cuts announced in mid-July 2015 of £0.7m and a late adjustment in respect of research income overheads £1.3m.</p> <p>There has also been a significant variation between</p>	Financial statements surplus	19.4	less asset sale	-0.2	Endowment fund adjustment	-1.1	Surplus after asset sales & endowment adjustment	18.1	Less RDEC (a refund from HMRC relating to research activity)	-7.3	Lloyds lease adjustment (correcting accounting treatment of an existing lease due to be repaid in 2015/16)	2.3	Underlying financial performance	<u>13.1</u>
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	<p>the forecast outturn and the eventual underlying financial performance, and a detailed account of this variation will be included in the Principal's Report to the next Council meeting (to be issued on Friday 20 November).</p> <p>Cash balances were £13.5m at 31st July 2015, planned use of the revolving credit facility, £15m, was not utilised during the year mainly due to an earlier than anticipated receipt of payment from a Chinese partner £7m and slippage on the capital programme.</p> <p>A review of the fixed asset register resulted in a £12.4m prior year adjustment in respect of assets that were no longer owned or in existence and works that upon review were no longer deemed capital items.</p> <p>The year end process highlighted a higher than anticipated number of adjustments, particularly in relation to research overheads (a joint project between Finance and the Joint Research Office is being established to improve accounting) and fixed assets, where we have agreed to implement external audit recommendations and arrange a workshop with our external auditors.</p> <p>We currently have a number of processes that are only undertaken at year end which during 2015/16 we will incorporate into our month end processes, this will improve financial management information during the year and minimise the risk of unanticipated year end adjustments.</p>
Strategic Plan 2014 strategic aim reference and Internal/External regulatory/statutory reference points	To achieve and sustain financial strength to enable our academic ambitions, through a balanced portfolio of activities
Strategic Risks:	Financial strength through a balanced portfolio of activities. 11. Sustainable income streams for activities 12. Cost control, VfM and expenditure
Subject to prior and onward consideration by:	None
Confidential paper under FOIA/DPA	No
Equality Impact Assessment:	Not required
Timing:	

Author:	Joanne Jones Finance Director
Date:	18 November 2015
QMSE and/or external sponsor	Mike Shore-Nye Chief Operating Officer

REPORT BY THE PRESIDENT AND PRINCIPAL

Queen Mary University of London (QMUL) enjoyed another year of outstanding progress and achievement across all elements of its activities during the year 2014/15. Our strength in Knowledge Creation was underlined by the outcome of the UK-wide assessment of research (the Research Excellence Framework), to which all universities submitted and the results of which were published in December 2014. QMUL was ranked ninth in the UK (amongst multi-faculty institutions) for the quality of its research outputs, which is a quite exceptional achievement and reflects the very high quality of our academic colleagues and the effectiveness of the support they receive from Professional Services staff. The outcome was an improvement on QMUL's already excellent results in the previous assessment exercise in 2008, and has cemented our standing as one of the UK's most prominent research institutions.

This success in our research endeavours was matched by progress in our Knowledge Dissemination activities. Our continued focus on enhancing the student experience was reflected in our improved performance in the latest National Student Survey, which recorded overall satisfaction levels amongst our final year undergraduate students of 88%, an improvement of 2% on the previous year. This outcome places us joint second amongst London universities and 10th in the Russell Group on this measure, with six subject areas ranked in the top ten nationally. Although pleased with these results, we remain committed to securing further improvements and are focussing on the outputs from the survey to drive future actions and investments in specific areas that require attention, which will include a £1.5M programme of works to improve our library facilities during this year.

Our progress across Knowledge Creation and Knowledge Dissemination has helped to reinforce the attractiveness of our offer to prospective students. Strong recruitment in 2014/15 at the level of undergraduates (who account for over 70% of our student population) resulted in a 4%^[1] increase in this cohort of students compared to the previous year. This is a noteworthy achievement given the continuing move towards a more competitive environment for student recruitment, which has been further accelerated by the complete removal of any student number controls (apart from those relating to Medical and Dental undergraduate programmes) for 2015 entry. Our success in this challenging environment is a testament to the dedication and resourcefulness of colleagues from all areas of the institution.

Recruitment at Postgraduate Taught level was particularly strong, with over 13% more students studying in 2014/15 compared to the previous year, part of our longer-term success in expanding this cohort, which has grown by 45% since 2010/11. One area that requires focus is our efforts to expand our community of PhD students, recognising the importance of this cohort to our research environment and to sustaining the flow of highly qualified individuals to industry, commerce, the cultural sector and academia. Numbers declined slightly in 2014/15, and additional funds have therefore been allocated to scholarships as part of our efforts to respond to this.

QMUL is recognised as one of the most internationally-orientated universities in the world (within the top 20, based on the Times Higher Education rankings) and the activities and experience of all of us at the university are greatly enriched by the presence of staff and students from overseas. We are pleased to note that our total cohort of students from outside of the EU increased in 2014/15 by almost 11%, which continues to be a significant achievement given the difficulties posed by certain Government policies relevant to this area. QMUL also continues to be a leading exponent of transnational education through our successful model of developing partnerships with leading overseas universities, based on equally shared and complementary academic input from both contributing institutions. The number of QMUL students being taught outside of London via these partnerships increased by almost 17% in 2014/15.

We continue to be proud of the diversity of our student body, but recognise that alongside a first-rate education we must also work to address a possible deficit in social capital that may be associated with non-traditional backgrounds. The excellent work of our Careers & Enterprise team continues, in collaboration with colleagues from across and outside of the institution, to support our students in

^[1] Student numbers are based on Full-Time Equivalent population for all levels and modes of study as at 1 December 2014, with comparisons based on the equivalent data as at 1 December 2013. Undergraduate numbers include students being taught on Joint Programmes in China.

developing their skills, confidence and networks. One example of this is the development of a new programme specifically for students who are in receipt of bursaries, which has been generously supported by J.P. Morgan and provides opportunities to undertake consultancy projects with East London businesses. Our alumni also play a vital role in this area, providing mentoring support for our bursary students through the QMentoring scheme. These and other activities have helped QMUL improve its performance in the 'Destination of Leavers from HE' survey for the second year running, which reported that 92% of our graduates were in work or full-time study within six months of leaving university.

Our work in terms of social capital also highlights the importance of partnerships to the delivery of QMUL's strategic aims. These will be particularly important in achieving our ambitions in the field of Life Sciences, where we are working with Barts Health Trust and partners from Higher Education, industry and all levels of Government to develop a global hub for translational research in population-scale medical genomics. We believe this will deliver significant benefits in terms of public health, wealth creation and employment opportunities, as well as helping to cement London and the UK's position as a leading centre for Life Sciences education and research.

The delivery of all aspects of our Strategy is underpinned by financial strength and sustainability. Careful financial management and the generation of an operating surplus is critical to ensuring that we are able to invest in our estate and infrastructure in order to support our academic and broader social ambitions, particularly in an environment where hypothecated central government funds to support capital expenditure are very limited.

It is therefore encouraging that these financial statements record an operating surplus before sale of investments and fixed assets of £18.0m. The achievement of this position, which flows from the efforts and successes of all our staff (as represented by the examples provided above), allows the institution to continue with a range of critical refurbishments and improvements to our buildings and with the ongoing delivery of our IT Transformation Programme. We will continue to be alert to the need for close financial control, mindful of the funding pressures and uncertainties that remain within the sector and present a potential risk to future financial performance. Work continues on our new Graduate Centre, which is due to open in late 2016. This project is financed by external borrowing, informed by a robust business case based on the buoyant recruitment of Postgraduate Taught students as noted above.

We will continue, of course, to also invest in staff and new activities in order to build on our successes and further enhance QMUL's standing and reputation. The external environment remains uncertain and challenging, and we will respond in a way that is both innovative and also true to our view of a university as a centre for the development of fundamental ideas and the expansion of the boundaries of knowledge, independent of political and other transient opinions. Our progress will continue to be shaped by these beliefs and by the fundamental QMUL values, as captured in our Strategy, which commit us to collegiality and to the support of our locality, recognising that the latter is in part achieved through our status of one of the world's leading universities.

Professor Simon Gaskell, President and Principal
November 2015

CHARITABLE STATUS AND PUBLIC BENEFIT

Queen Mary University of London (QMUL) is an exempt charity regulated by Higher Education Funding Council England (HEFCE). Its trustees have regard to the Charity Commission's guidance on public benefit and as such, QMUL satisfies the 'public interest' test as summarised and demonstrated below.

Charitable Status of QMUL

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 QMUL'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 QMUL elected to change its name to Queen Mary University of London and to exercise its degree awarding powers from 2014.

QMUL is an 'exempt charity' under the Charities Act 2011. This status means that QMUL is not required to register directly with the Charity Commission, and in turn is not subject to its direct supervision. HEFCE is the 'principal regulator' of the vast majority of higher education institutions in England, including QMUL.

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

The public interest underpins all aspects of QMUL's mission and activities as a higher education institution. As stated in the Charter:

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

Public benefit is embedded in our strategic aims and objectives and reporting of progress towards achieving these is contained in the Financial and Operating Review on pages 5 to 14. Specific information is provided below about how QMUL delivers public benefit in all its activities.

Advancement of education

The 'advancement of education', identified as a key charitable criterion in the Charities Act, underpins QMUL's mission as a higher education institution delivering research-led teaching to 20,000 students across a full range of disciplines at undergraduate, taught postgraduate and doctoral level through its three academic faculties. QMUL is committed to maintaining its proud tradition of nurturing the brightest and best talents, regardless of background. In order to reduce the barriers to access, QMUL provides a generous package of bursaries and scholarships, including the QMUL Bursary which supports undergraduate students from low income households; the National Scholarship Programme; and a range of Excellence Scholarships. Examples of QMUL's pioneering contribution to education outreach and partnership include:

- the Centre of the Cell in Whitechapel is an educational resource dedicated to inspiring curiosity and learning by connecting science to everyday life. Centre of the Cell is an online resource, a science education centre and outreach project aimed at young people, teachers, families and community groups;
- its co-sponsorship of the Drapers' Multi-Academy Trust with the Drapers' Company, a leading City Livery Company with which QMUL has a long-standing partnership and from which it has received significant support. The Multi-Academy Trust comprises the Drapers' Academy and the Drapers' Brookside Junior School located on Harold Hill in the London Borough of Havering. The Academy forms a key part of the Harold Hill Learning Village, a major educational initiative by Havering to regenerate an area of the Borough that has experienced high levels of unemployment and poor progression to further and higher education;
- its involvement as lead partner in a National Challenge Trust School in Tower Hamlets; St Paul's Way Trust School;
- the Queen Mary Legal Advice Centre provides free legal advice to members of the public, students and QMUL staff. The Centre operates for the mutual benefit of clients and students and is committed to enabling students to learn from practical experience.

Ground breaking research at QMUL has a real-world impact supporting a range of charitable criteria. Below are a few examples of the role played by QMUL's research in charitable advancement.

CHARITABLE STATUS AND PUBLIC BENEFIT (continued)

Advancement of health

The EXHALE project in the School of Medicine and Dentistry's Blizard Institute is aimed at understanding and improving children's respiratory health through assessment of 8 year old children in Tower Hamlets and Hackney schools. One additionally beneficial aspect of this work is the active engagement of children in science during the schools visits.

The Cancer Research UK Centre at Barts and The London School of Medicine and Dentistry brings together top-ranked scientists in the medical school with expert clinical teams in the cancer hospital to push forward laboratory discoveries into benefits for patients. The Centre's outreach engages the community in understanding the rewards, opportunities and challenges in cancer research to help build relationships with the Centre and with Cancer Research UK.

The William Harvey Heart Centre, also at Barts and The London School of Medicine and Dentistry, is dedicated to tackling the growing burden of heart disease and stroke world-wide and aims to speed up research from the scientist's bench to the patient's bedside to improve the diagnosis and treatment of cardiovascular disease.

Advancement of equality and diversity

The Centre for Research in Equality and Diversity in the School of Business and Management conducts research underpinned by a commitment to social justice and inclusion in areas including employment relations policies and practices, discrimination, income inequality, labour market migration, professional and low paid work and trade unions. The Centre's research on equality, inequalities and diversity is vital to investigate inequalities and privilege, to move forward theoretical understanding and to appraise the impact of contemporary public policies internationally, nationally, at the level of the organisation and individual.

Advancement of environmental protection or improvement

QMUL's Centre for Aquatic and Terrestrial Environments (CATE) is an interdisciplinary collaboration between the School of Geography and the School of Biological and Chemical Sciences. CATE builds on existing research strengths in areas of environmental research such as hydrology, hydrochemistry, environmental geochemistry, freshwater and marine ecology, terrestrial ecology and conservation. The Centre's facilities support collaborative research with external partners including the Royal Society for the Protection of Birds (RSPB) and the Environment Agency, enabling knowledge exchange and dissemination.

Partnership with London Citizens

As well as work which directly meets the public benefit needs, QMUL also works with London Citizens to develop a community organising culture and capacity. The School of Geography offers a unique MA in Community Organising which is designed to provide an advanced understanding of the theory, history and practice of community organising in the wider context of contemporary academic debate about social, political and economic change. It provides the intellectual and practical training that postgraduate students require to work as a community organiser, or in a related field. At a broader level it is also designed to strengthen the cadre of community organisers being developed in the UK, through a partnership with Citizens UK.

FINANCIAL AND OPERATING REVIEW

Highlights

	2014/15 £'000	2013/14 £'000	Change %
Financials (consolidated)			
Total Income	376,761	349,137	+8%
Total Expenditure	356,364	332,867	+7%
Surplus Retained within General Reserves	19,364	17,101	+13%
Spend on Purchase of Tangible Assets	50,606	24,533	+106%
(Decrease) / Increase in Cash (including Endowment Assets)	(12,603)	7,932	-259%
Cash and Short Term Investments	13,523	24,280	-44%
Borrowings	98,001	104,716	-6%
Income Highlights			
Funding Body Grants	70,943	80,576	-12%
Full-time Home and EU Students	87,559	71,226	+23%
Full-time Overseas Students	68,756	56,961	+21%
Research Grants and Contracts	93,162	83,947	+11%
Non-Financial			
Staff Numbers	3,698	3,535	+5%
Student Numbers (FTE)			
Undergraduate	14,195	13,597	+4%
Postgraduate	4,301	3,933	+9%
Associate	333	373	-11%
Total	18,829	17,903	+5%
Home	11,922	11,693	+2%
Overseas	6,907	6,210	+11%
Total	18,829	17,903	+5%

Financial Review

Overall the university generated a retained surplus of £19.4m, £18.0m operating surplus before sale of investments and fixed assets, an increase on the prior year retained surplus of £17.1m. It is pleasing to note that this is the first time QMUL has generated significant consecutive operating surpluses in recent years, and is in line with our strategic investment plans. Whilst this partly reflects changes to funding with an increasing reliance on surplus generation to fund capital spend, it also reflects improved financial planning and management.

Total income increased 8% year on year with reduced funding body grants being more than offset by increases in tuition fee income. This was driven by the changes to the UK student funding regime, with an additional year of students paying full tuition fees, and increases in postgraduate and overseas student numbers. We also received significant income (£7.3m net of tax) as a result of universities' ability to reclaim corporation tax credits on research activity (Research and Development Expenditure Credit (RDEC)) for part of 2012/13 and the whole of 2013/14 and 2014/15, following changes to the R&D tax regime effective 1 April 2013. Our ability to claim these has now been ended by the government from 2015/16.

The undergraduate student numbers include around 2,800 based in China studying on joint degree programmes run in collaboration with the Beijing University of Post and Telecommunications and Nanchang University. The latter programme was in its second year with student numbers more than

tripling. Growth will continue and be boosted by a recently signed collaboration agreement with Northwestern Polytechnical University in Xi'an.

Operating costs also grew by 7%, mainly due to higher staff costs, and higher other operating expenditure in areas such as laboratory and consumables expenditure.

Income

The recurrent grant that the university receives from the Higher Education Funding Council for England (HEFCE) reduced by £9.0m (13%) as funding for teaching continued to move from central grants to the student. 2014/15 represented the third year of full tuition fees, so that the vast majority of the undergraduate population will have transitioned onto the new fee regime. This recurrent grant now represents 16% of our total income (2013/14 20%).

Student tuition fees and education contract income grew by £29.1m (22%) due to the funding changes for home undergraduate students but also as a result of successful student recruitment, with student numbers increasing by 5.0%. The growth was mainly in overseas students, but home recruitment also grew, aided by further loosening of the student number control regime relating to applicants with high grade A-levels and equivalent qualifications, and growing reputation of the university, which is discussed in the Report by the President and Principal.

Research grant and contract income increased by £9.2m (11%) though as noted this was driven by a one-off research and development expenditure credit (£9.4m, 2013/14 £nil). We recorded a second year of substantial increases in funding from UK industry and commerce, up 12% (2013/14 23%), in line with our stated aim of diversifying our research income and reducing our dependence on government grants. Other operating income, deriving from sources other than teaching and research, such as student residences, showed a slight decline of £0.9m (-2%).

Costs

61% of total operating expenditure is staff costs. These increased by £11.9m (6%) which was in line with higher staff numbers (up 5%) and a general pay award of 1%. The increase in staff reflects higher student numbers and research activity. The Higher Education (HE) sector has a widely used benchmark, staff costs as a percentage of income. Our percentage was level at around 58.5% excluding RDEC income, following on from a decrease in the prior year.

Other operating expenses increased by £10.8m (10%) primarily in academic departments and administration. The administration increase includes fees paid to overseas agents, which reflects the increase in overseas student numbers, and additional funds for the Students' Union and the new Malta Medical School and Life Sciences projects. Depreciation increased by £0.9m (4%) as a result of investment in fixed assets, particularly short life IT equipment, as detailed below.

Fixed Assets

There were £48.7m of tangible fixed asset additions in the year, substantially higher than prior year (£26.6m). We continue to invest heavily in IT through the IT Transformation Programme (£7.3m), a multi-year programme with an estimated total spend of over £23m designed to overhaul our IT infrastructure; key areas of spend in the year were new infrastructure, standardised desktop and printing hardware and software, and migration of applications into our new data centres.

The largest single spend on estates was on the start of construction of our new Graduate Centre (£8.9m spend in the year) which will also provide a new home for the School of Economics and Finance. Other significant estates projects involved much needed investment in the Faculty of Science and Engineering with the completion of the refurbishment of the physics building and the start of major transformations to both the maths and engineering buildings, as well as refurbishments to the School of Biological and Chemical Sciences (total spend £18.1m in the year). The School of Medicine and Dentistry benefited from the completion of a dental outreach centre (the Guttman Centre) and enhancements at the Charterhouse Square campus.

We received £11.5m of deferred capital grants in the year (2013/14 £4.8m) with the balance largely being funded from university funds. There has been a decline in grant funding for capital from HEFCE related to the overall changes in HE funding however we successfully bid for £5m in capital funding for STEM (Science, Technology, Engineering and Mathematics) capital funding to support the engineering building transformation and have received significant grants in relation to the Genomics England project.

Cash and Debt

Cash balances and short-term deposits, including endowment assets, ended the year at £15.2m (2013/14 £27.8m). This decrease reflects the higher levels of capital spend which is being funded through a mix of own funds and bank loans.

Total long term borrowing for the university and its subsidiaries stood at £75.6m at 31 July 2015, down from last year (2013/14 £92.3m). £71.6m (2013/14 £72.4m) of this borrowing is in bank loans, most of which is at fixed interest rates. These loans are long term, with repayment of the full amount of the principal not due for at least 20 years.

A further £4.0m (2013/14 £19.9m) is in the form of finance leases for equipment to support research and teaching and improvements in the IT infrastructure. Offsetting this decrease is a £10.0m increase in finance leases in current debt as leases come due for repayment.

QMUL renegotiated the loan facility with RBS in the year so that this now includes a full revolving credit facility which enables us to more effectively manage our variable cash flows during the year, and further improve our liquidity. This has not been utilised during the year but was used to manage our short term cash position shortly after year end.

The university's short term investment of working cash balances is with an approved list of organisations, all of which are required to have strong, externally rated creditworthiness.

Investments and Treasury Management

Endowment investments stood at £35.3m (2013/14 £33.0m). Our investment manager is Ruffer LLP.

The investment strategy is a single investment approach – an absolute return. This seeks capital preservation, not to lose money on a rolling annual basis and consistent positive returns, significantly greater than the return from cash.

Other Balance Sheet Movements

Overall both debtor and creditor balances remained fairly consistent year on year, with the only major changes being a move from long term to short term creditors caused by the upcoming repayment of a significant proportion of our finance leases, an increase in accrued income which represents the RDEC income and an increase in research creditors. The changes in finance lease balances gives us the opportunity to refinance this debt at more advantageous rates via bank loans.

Cash Flow

Cash balances, including endowment assets, fell by £12.6m (2013/14 £7.9m increase) and net debt increased by £5.9m (2013/14 reduced by £10.5m). As noted above this was largely due to the higher capital spend.

Operating Review

QMUL adopted a new five-year Strategy for the institution in 2014/15, which provides a suitably ambitious framework for our Knowledge Creation and Knowledge Dissemination activity and for planning across the institution. It identifies six broad Strategic Aims and the following sections identify some key objectives within these areas and the extent of our success in achieving the associated Indicators of Progress.

Strategic Aim 1 – People

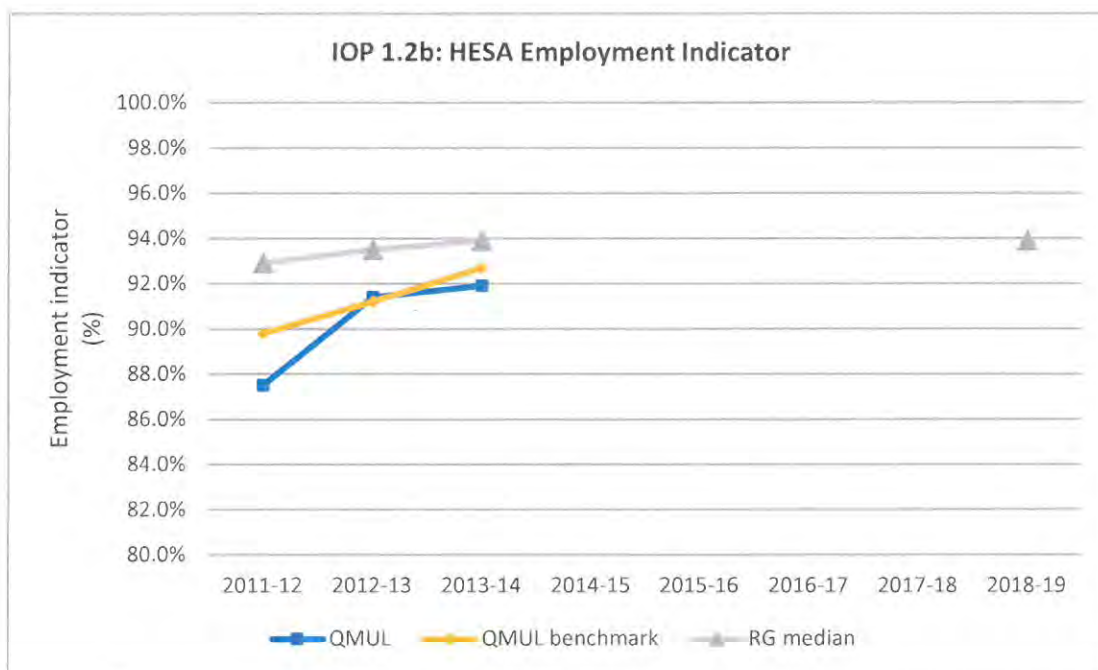
Fundamental to our activity is the recruitment and teaching of students of the highest intrinsic talent. Recruitment increased across all levels, with the total number of students enrolled (FTE) increasing to 18,829, a 5% increase on the previous year. The number of undergraduate students increased by 4% and postgraduate student numbers increased by 9%. Over 2,800 QMUL students were studying on our Joint Programmes in China.

QMUL is defined by its ability to align its high academic standards with a proud tradition of public engagement and of nurturing the brightest and best talents, regardless of backgrounds. As part of this approach, we aim to ensure that we continue to at least meet and preferably exceed our externally set benchmarks for widening participation. This ambition was achieved once again according to the most recent set of data, which note that QMUL admits the highest proportion of students from state schools and from the most disadvantaged social backgrounds amongst Russell Group institutions.

Alongside these trends, QMUL saw a slight uplift in the average tariff points held by its new intake of students in 2014/15. Although A-Level (or equivalent) qualifications are but one marker of a student's potential, this uplift shows a commitment to broadening access whilst also retaining high expectations of our prospective students. It is noted that across the Russell Group as a whole, average tariff points have declined by 3% between 2011/12 and 2013/14, reflecting changes to the student recruitment landscape and also a potentially tighter approach to A-Level marking nationally. QMUL's average tariff points

declined very slightly over this period, before the increase in 2014/15 returned the average to the 2011/12 level.

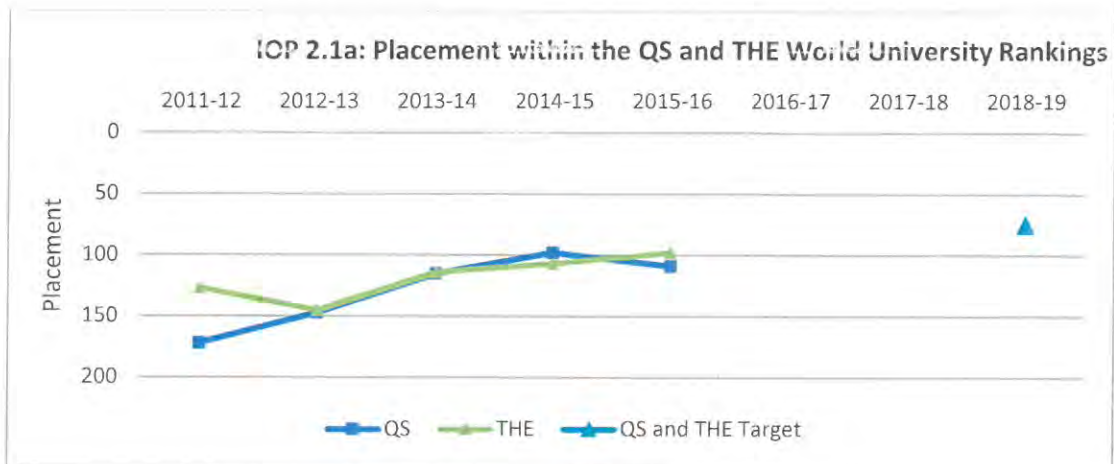
While widening access is critical, we recognise that it must be mirrored by the provision of support for our students so that they can successfully complete their programmes and also subsequently make the most of their talents and qualifications post-university. Our Strategy has a number of indicators to measure progress in this area, and it is pleasing to note that there are positive trends in terms of the number of students not completing their programme (a fall of 4%) and the proportion of students in employment or further studies following graduation (up slightly to 91.9%). On the latter measure, work will continue to achieve better outcomes, for example through expanding opportunities for students to undertake activities that will broaden their experience and networks, such as internships, projects in the workplace, or through support to develop their own business ideas (see Strategic Aim 5 for more on this latter point).



Our staff are self-evidently fundamental to all that we do and are a key focus under this Aim, with more detail provided toward the end of this section.

Strategic Aim 2 – Research

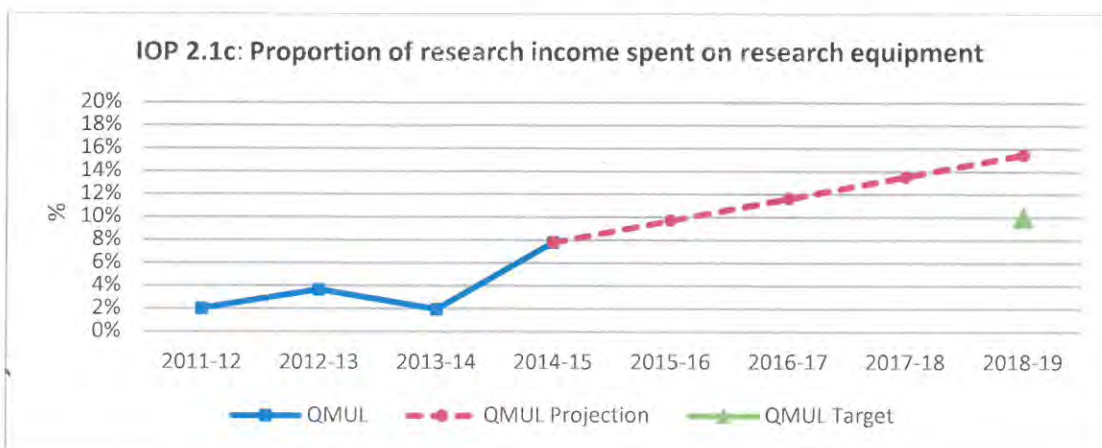
QMUL is now firmly established as one of the UK's leading research-led institutions. Our extraordinary progress in recent years in achieving prominence in research areas across all three Faculties was confirmed by the outcomes of the REF2014 exercise, which placed QMUL 9th in the UK amongst multi-faculty institutions for research quality. This built on our strong showing in the equivalent exercise in 2008, and was a testament to the hard work and talents of our academics, and of colleagues in Professional Services functions who support them. We are keen to see our reputation increase in line with our undoubted academic standing, and were encouraged to see our placement within the top 100 in the THE world rankings. Although this was counterbalanced by a slight fall in the QS rankings (where a change this year in methodology worked against us), the longer-term trend in both surveys is strongly upwards and we are on track to achieve our target of a top 75 position within both rankings.



We aim to increasingly translate our research strength into an enhanced success rate for grant applications to major funding bodies. We have historically underperformed in this area and, although we saw an uplift in success rates in 2013/14 (which is the last full year of data) there is still a notable gap between our performance and that of the Russell Group as a whole and bridging this will be a priority area of focus during this year. We also continue to promote the application and commercialisation of our research activity and our Strategy outlines ambitions to enhance the number of licensing agreements, spin out companies and inventions that are disclosed. Progress has been variable from year-to-year but the longer-term trend is positive and the total share value of QMUL spin-out companies has increased substantially in recent years, reflecting the considerable success of these ventures.

Another key priority will be increasing the size of our PhD cohort. QMUL has had a long-standing objective to increase numbers substantially (a 50% increase on 2012/13 numbers by 2018/19), in order to bring us into line with fellow Russell Group institutions. After a period of strong growth our numbers have plateaued in the last few years and new approaches are being considered to generate further increases, recognising the importance of this cohort to the maintenance of a healthy research environment.

The research environment is also dependent on the quality of equipment and infrastructure, and we have allocated considerable funds to support upgrades and new purchases, so that the increase in such spending in 14/15 will be further accelerated in future years. These enhancements will help us retain and recruit academic staff and also students, and will support our grant applications.

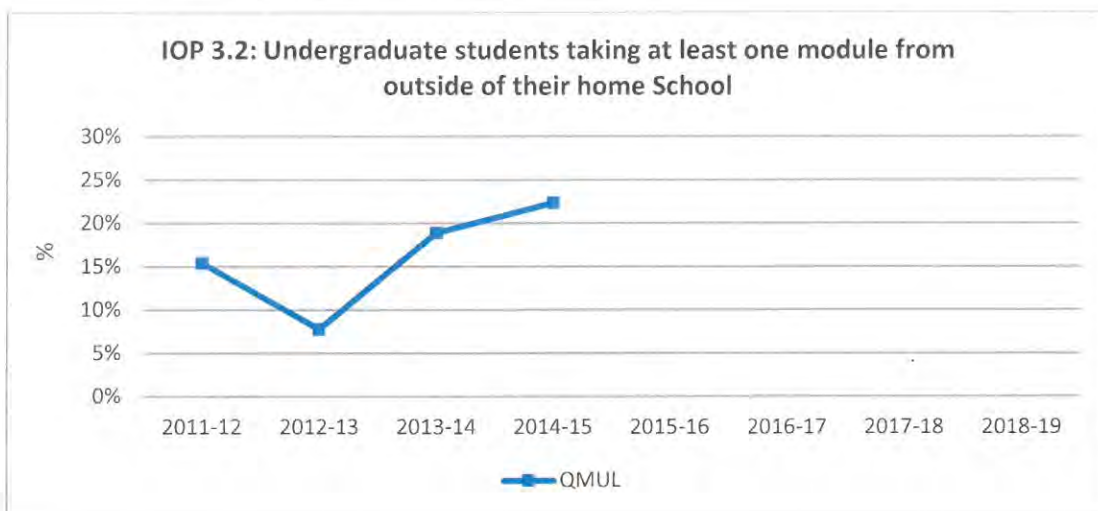


Strategic Aim 3 – Teaching and Learning

QMUL students have recorded high levels of satisfaction in recent years and the most recent National Student Survey results placed QMUL joint second amongst London universities and 10th in the Russell Group. We are pleased with this performance as a broad measure but are focussing on particular areas within this overall performance that require attention, be they subject-specific or related to certain components of the student experience. Improving feedback is an ongoing area of attention and the Strategy also has indicators relating to student perceptions of the resources available to them during

their studies. On the latter measure students have reported similar levels of satisfaction over recent years and we will focus on ways to enhance these for future cohorts, for example through investment in our libraries and teaching spaces.

We are keen to introduce opportunities for our students to broaden their educational experiences, and consequently have an objective to increase the proportion of undergraduate students taking a module from outside of their home School. It is encouraging that almost one-quarter of these students now do so, up from under 8% in 2012/13. We will continue to facilitate this option, as part of broader efforts to provide a distinctive teaching and learning experience at QMUL.



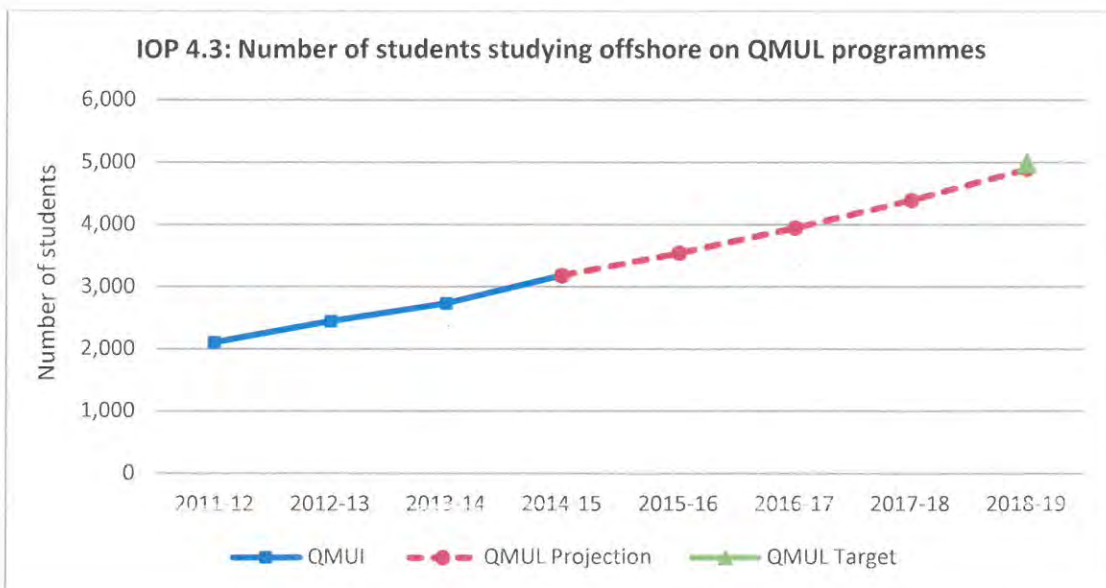
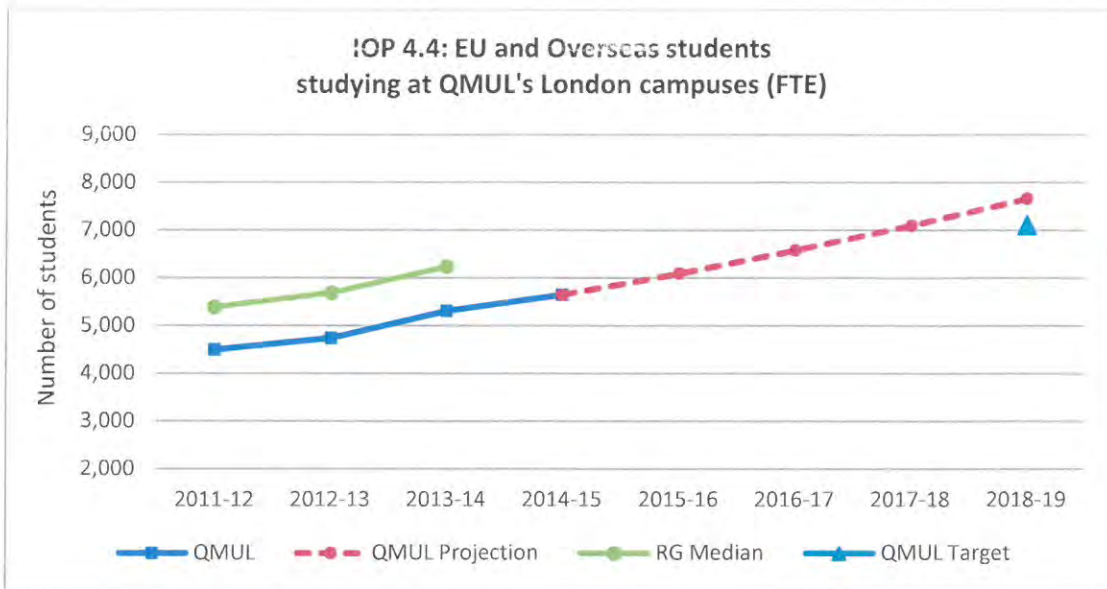
Strategic Aim 4 – International

QMUL has been identified as within the world's 20 most international universities (THE rankings) and this standing is reinforced by the strength of our recruitment of overseas students. Despite a challenging backdrop in terms of Government immigration policies, we were pleased to note that our total number of non-UK students (including those from the rest of the EU) increased by over 6%¹, so that we are on track to achieve a 50% increase by 2018/19.

We also continue to be recognised as leaders in Transnational Education (TNE), with over 3,100 students now studying for QMUL degrees in their home countries. This represents a 30% increase since 2012/13 and we are currently on track to achieve a target of 5,000 students by 2018/19. Our TNE activity is currently delivered in China via Joint Programmes with high-ranking Chinese universities, although we are looking to broaden the geographical range of our operations, and as part of this strategy we expect to launch a MBBS programme in Malta from 2017/18. Our TNE programmes help counter some of the risks associated with flows of international students into the UK and also provide an excellent platform for developing broader research and innovation collaborations with overseas partners.

As part of our efforts to broaden our students' experiences (as above) we want to double the number of students benefitting from a period of study or work overseas. We are therefore disappointed to see a slight decrease in 2014/15 and have already been reviewing aspects of our internal financial model to facilitate more such opportunities for students.

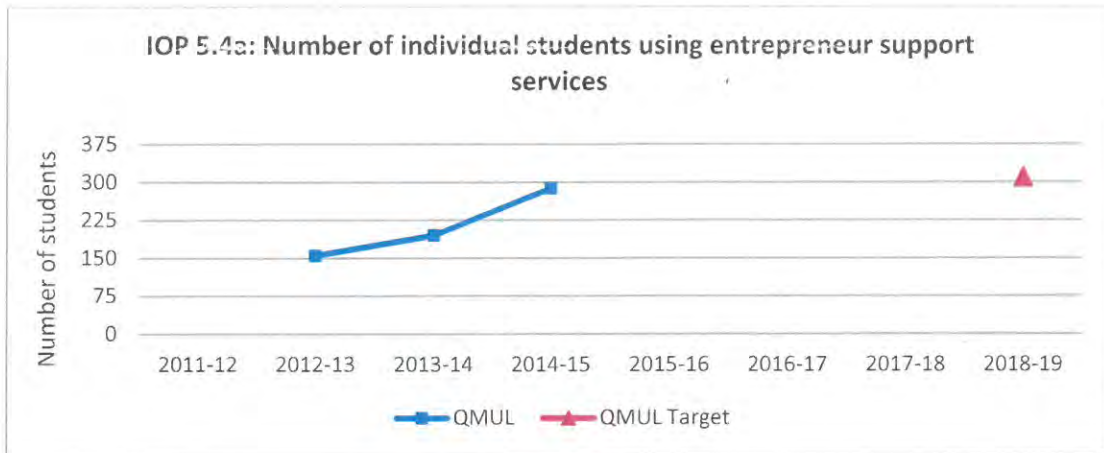
¹ Note that the number of non-EU students increased by 11%, as noted elsewhere in this document.



Strategic Aim 5 – Impact and Public Engagement

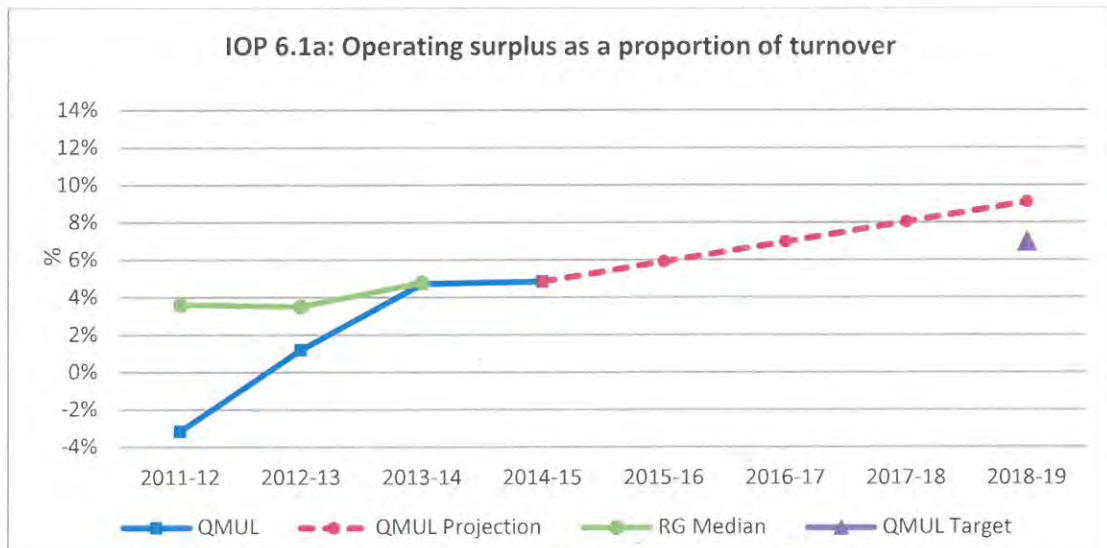
We are seen as leaders in the sector in engaging with the public and disseminating our research to as wide a set of audiences as possible. We are working towards being one of the first institutions to be awarded the National Coordinating Centre for Public Engagement Chartermark and we are significantly increasing the number of staff and students who are receiving training in public engagement principles and techniques.

Further to our aim to develop the social capital of our students, we are looking to increase the number of students accessing entrepreneur support services by 100% (on 2012/13 levels) by 2018/19. We are pleased that an 88% increase has already been recorded by 2014/15 and will continue to push this key strand of activity.

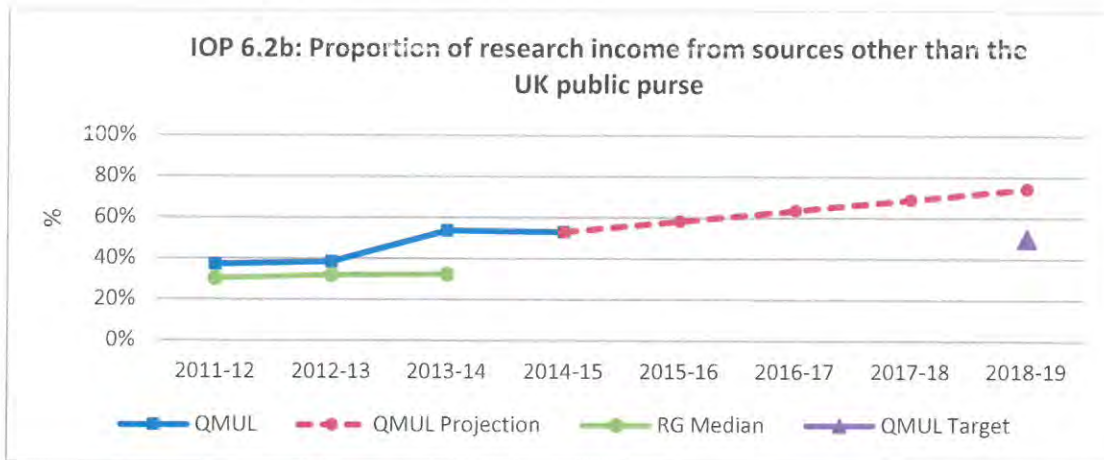


Strategic Aim 6

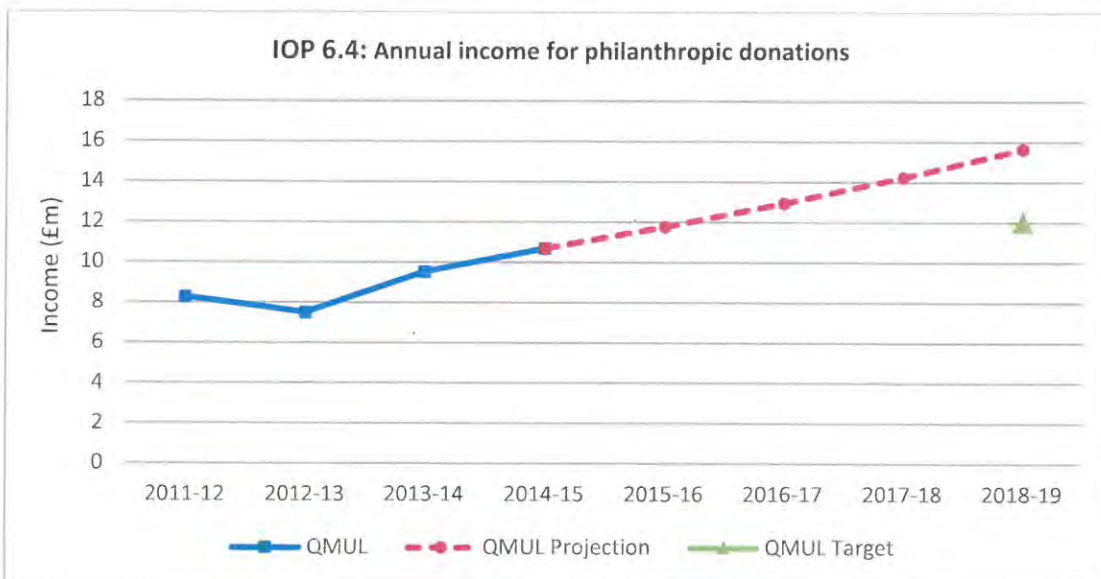
A key objective under this Aim is to improve the level of operating surplus generated by the institution, so that we can sustain investment into our estate and infrastructure to support the ambitions outlined in the Strategy. The operating surplus as a proportion of turnover in 2014/15 was above that of the previous year for the reasons outlined above, and although at 5.1% (including RDEC income) this would place QMUL within the top half of the Russell Group based on 2013/14 data, RDEC claims will have boosted the equivalent percentage for other institutions. We will be alert to our investment requirements and will strive to support these as appropriate during an upcoming period that is likely to be characterised by significant cuts in central government expenditure.



In research, we continue to argue forcefully for the national benefits of UK Government investment but recognise the risks of excessive reliance on the UK public purse. We therefore target a majority of our research income being derived from other sources, and although the proportion remained largely static between 2013/14 and 2014/15, we are the only Russell Group institution to secure over 50% of our research income from outside of the UK public purse.



In the absence of a significant endowment, the Strategy commits the institution to achieving increased income from philanthropic sources. We are pleased to note that income from philanthropic donations increased to £10.7m in 2014/15, following continued and measured investment into our Development Directorate, and we are on track to achieve an income of at least £12m per annum by 2018/19.



Staff

Queen Mary senior leadership keeps in regular contact with staff through publicised open meetings, electronic communication and through local meetings. We engage with a number of key stakeholders throughout the year. Regular union consultations are held with Unison, the University and College Union (UCU) and Unite at the Joint Consultative Forum (JCF), held each semester, and meetings are held throughout the year to discuss major restructurings to ensure staff views are represented in any proposed changes. The Students' Union is represented on many committees, including Council, Senate, Estates Strategy Board and the Equality and Diversity Steering Group. Communication is undertaken with HEFCE, as our lead government funding body, throughout the year in addition to the Annual Monitoring process.

We encourage staff participation and collaboration with other universities and through Higher Education networks.

Queen Mary had a number of achievements in 2014/15 in terms of equality and diversity. Examples included the School of Physics and Astronomy achieving JUNO Champion Status and the award of ATHENA Swan silver level to the School of Medicine and Dentistry.

Pension Funds

Our employees are mostly members of the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) scheme or the NHS Pension

Scheme. All of these have to date been pooled defined benefit schemes so it is not possible to identify the share of assets and liabilities that relate to QMUL and consequently these are not shown in the balance sheet.

Outlook

The outlook for 2015/16 remains challenging, with on-going uncertainties in the sector around:

- The level of public funding
- Student recruitment and retention
- Dependency on overseas fees, especially for growth
- Pay and pension contributions
- The need to fund investments from debt finance
- Increasing competition in the HE sector

Notwithstanding particular uncertainties around the impact of the Comprehensive Spending Review on the HE sector, our forecasts for the next three years are to grow our student numbers, particularly on our postgraduate taught programmes. A key focus is on developing a major Life Sciences centre, building on existing strengths in all three faculties of the university, as well as developing other strategic partnerships. The completion of the construction of the new Graduate Centre (also the new home for the School of Economics and Finance), and refurbishment of the Fogg building (home of the School of Biological and Chemical Sciences), maths and engineering are the major capital investments for 2015/16.

This growth, together with the impact of having a higher proportion of students on the new tuition fee regime and a focus on cost control across the university, means that we are anticipating (subject to perturbations caused by changes in government funding or policy) that our net surpluses will increase in the medium term and we are increasing our focus on medium term financial planning to ensure that we strike the right investment balance between revenue and capital.

Auditors

Following a competitive tender, Deloitte LLP were appointed as auditors for the year ended 31 July 2015. A resolution for the re-appointment of Deloitte LLP as auditors of the university is to be proposed at the Council Meeting.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

Constitution and Governing Body

QMUL is formed by Royal Charter. The Charter and Ordinances constitute the instruments of QMUL's governance, the principles and provisions of which are amplified in the Ordinances. QMUL, as with any other chartered institution, requires Privy Council approval to revise the Charter.

The Charter establishes the Council and Senate, each with clearly defined functions and responsibilities detailed in the Ordinances, to oversee and manage QMUL's activities.

The Council is QMUL's governing body and is responsible for the strategic oversight of the institution. Its specific responsibility includes approval of the financial strategy and securing its assets. The Council comprises a majority of external members whose principal role is to bring independent expertise from a range of sectors and professional spheres and to hold, collectively, the Executive to account. A Governance Committee exists, with a majority of external members, to recommend nomination to the committees of the Council and so fulfils the roles and expectations of a nominations committee within the CUC guidance.

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

Subject to the overall superintendence of the Council, the Senate has oversight of the academic affairs of QMUL 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.

The Role of the President and Principal

The President and Principal is appointed by the Council as chief academic and accounting officer to head QMUL. The President and Principal is accountable to the Council for the organisation, direction and management of QMUL. Under the terms of the memorandum of assurance and accountability between QMUL and HEFCE, the President and Principal is the designated officer of QMUL 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 QMUL strategy, the identification and planning of new developments and the shaping of the QMUL 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 (Student Experience, Teaching and Learning), Vice Principal (Research), Vice Principal (External Partnerships and Public Engagement), Vice-Principal (International), Chief Operating Officer and Chief Strategy Officer.

Committees of Council

Although the Council meets up to six times in each academic year, much of its detailed work is handled initially by committees, in particular the Finance and Investment Committee and the Audit and Risk Committee. The decisions of these committees are reported formally to the Council.

The Finance and Investment Committee focuses on oversight of the Senior Executive's planning and management of finance, investments and assets of QMUL. It has a particular remit in relation to providing advice and recommendations to the Council, or reviewing/monitoring and approving on behalf of the Council, 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 QMUL, both capital and revenue;

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- advises Council on plans and budgets produced by the Senior Executive for large capital projects;
- considers proposals affecting major QMUL assets, in particular the estate;
- approves QMUL's value for money strategy;
- approves a strategy for borrowing, investment of funds and raising of monies.

The Audit and Risk Committee oversees QMUL'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 HEFCE. More specifically, the Committee:

- oversees external and internal audit services, including receiving reports and recommendations from both on the results of their work. A tender exercise was undertaken for external audit services and Deloitte LLP were appointed for 2014–15;
- reviews the effectiveness of QMUL's systems for submission of regulatory returns, financial control, value for money and responding to alleged financial irregularities;
- reviews the effectiveness of mechanisms operated by the Senior Executive for identifying, assessing and mitigating risks;
- oversees QMUL's Public Interest Disclosure (whistle-blowing) policy and receives regular reports from the Senior Executive on cases.

The categories of membership of the Finance and Investment and the Audit and Risk Committees are laid down by Ordinance.

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

There is a Remuneration Committee which acts within the principles of the CUC guidance.

Responsibilities of the Council

QMUL maintains a Register of Interests of members of the Council and of members of the Senior Executive which is published on the Council and Governance web pages (www.qmul.ac.uk).

In accordance with the Charter and Ordinances of QMUL, the Council Secretary provides independent advice on matters of governance to all Council members.

In line with recommendations within CUC guidance, Council undertakes a formal and rigorous review of its effectiveness every five years which was last conducted in autumn 2014.

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

In causing the Financial Statements to be prepared, the Council is assured that:

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

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

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

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

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

Internal Control

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

- The Council has responsibility for maintaining an effective system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the Council in the Charter and the memorandum of assurance and accountability with HEFCE.
- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- The system of internal control is based on a continuing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.
- The Council receives periodic reports from the Chairman of the Audit and Risk Committee concerning internal control, including the principal results of risk identification, risk evaluation and the management review of their effectiveness. The Audit and Risk Committee reports to the Council on an annual basis on the mechanisms for and adequacy of risk management processes to enable the Council to review the approach to risk management and be assured that appropriate mechanisms are in place.
- The appropriate committees of the Council receive reports from the Senior Executive on the steps QMUL is taking to manage risks in their areas of responsibility, including progress reports on key projects.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- During the year under review QMUL has:
 - a. Conducted "deep dive" assessments of particular management functions within QMUL or risk groups within the strategic risk register, including the Occupational Health and Safety Directorate, and the Student Experience and International Partnerships risk groups, to consider risk monitoring, links to the strategic risk register and the alignment of risk registers across the institution. For each "deep dive" a senior staff member highlights how risks are monitored within a department or across the institution, citing case studies as well as demonstrating that the controls in place to mitigate risks and ensure success are based on analysis and evidence.
 - b. Implemented a new strategic risk register which is aligned with the new QMUL Strategy 2014–19 approved by the Council in July 2014. The Strategic Risk Management Group has delegated responsibility for strategic risk and risk management processes throughout QMUL. The group works with the Senior Executive to monitor and review the high-level strategic risk register and risk matrix, which documents the impact and likelihood of a risk. The group meets quarterly and provides regular reports on the monitoring of the strategic risk register to the Senior Executive and the Audit and Risk Committee.
 - c. Provided training and support to schools/institutes, faculties and Professional Services to facilitate the updating of their own, detailed risk registers in order to align with the content and format of the new strategic risk register. These subsidiary registers feed upwards into the overall strategic risk register.
- QMUL procures its internal audit service from KPMG, which operates to standards defined in the HEFCE Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which QMUL is exposed, and annual internal audit plans are based on this analysis. At least annually the head of internal audit provides the Audit and Risk Committee with a report on internal audit activity in QMUL. The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of QMUL's system of internal control, including internal financial control.
- The Council's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within QMUL who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.
- The Audit and Risk Committee reviews compliance risks by way of receiving reports from staff responsible for those risks. Based on the information received, the Committee is satisfied that QMUL has appropriate processes in place to meet the legal requirements of QMUL.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF QUEEN MARY UNIVERSITY OF LONDON

We have audited the financial statements of Queen Mary University of London for the year ended 31 July 2015 which comprise Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the charter and statutes of the university and the memorandum of assurance and accountability effective August 2014. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability with the funding council; and

- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2015

	Note	2015 £000	2014 £000 <i>restated</i>
Income			
Funding body grants	2	70,943	80,576
Tuition fees and education contracts	3	163,555	134,426
Research grants and contracts	4	93,162	83,947
Other income	5	48,478	49,393
Endowment and investment income	6	623	795
Total income		376,761	349,137
Expenditure			
Staff costs	7	215,743	203,885
Other operating expenses	8	116,796	105,985
Depreciation and amortisation	11	20,853	19,969
Interest and other finance costs		2,972	3,028
Total expenditure	9	356,364	332,867
Surplus after depreciation of tangible fixed assets at valuation and before tax and minority interest		20,397	16,270
Share of operating loss in associates	14	(35)	(35)
Taxation	10	(2,321)	(233)
Surplus after depreciation of tangible fixed assets at valuation and tax and before minority interest		18,041	16,002
Minority Interest		0	5
Surplus before sale of investments and fixed assets		18,041	16,007
Sale of investments and fixed assets	13	233	481
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax and minority interest		18,274	16,488
Deficit for the year transferred to accumulated income in endowment funds	21	1,090	613
Surplus for the year retained within general reserves	32	19,364	17,101

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

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2015

	Note	2015 £000	2014 £000
Surplus on continuing operations before taxation and sale of investments and fixed assets		20,362	16,240
Difference between historical cost depreciation and actual depreciation charge for the year calculated on re-valued fixed assets	22	157	159
Historical cost surplus for the year before taxation and sale of investments and fixed assets		20,519	16,399
Retained historical cost surplus after taxation and before sale of investments and fixed assets		18,198	16,166

The notes on pages 25 to 45 form part of these financial statements

BALANCE SHEETS AT 31 JULY 2015

	Note	Consolidated		QMUL	
		2015	2014	2015	2014
		£000	£000	£000	£000
			<i>restated</i>		<i>restated</i>
Fixed assets					
Tangible assets	11	418,851	391,012	415,134	386,679
Intangible Assets	12	(470)	0	(470)	0
Investments	13	2,837	3,533	6,333	7,029
Investments in associates	14	70	55	1	1
		<u>421,288</u>	<u>394,600</u>	<u>420,998</u>	<u>393,709</u>
Endowment assets	15	35,332	33,048	35,059	32,790
Current assets					
Stocks		231	173	231	173
Debtors	16	45,319	40,143	45,086	40,192
Cash at bank and in hand		13,523	24,280	11,692	22,883
		<u>59,073</u>	<u>64,596</u>	<u>57,009</u>	<u>63,248</u>
Creditors: amounts falling due within one year	17	(119,276)	(103,281)	(121,517)	(105,298)
Share of net liabilities in associates	14	(468)	(437)	0	0
Net current liabilities		<u>(60,671)</u>	<u>(39,122)</u>	<u>(64,508)</u>	<u>(42,050)</u>
Total assets less current liabilities		<u>395,949</u>	<u>388,526</u>	<u>391,549</u>	<u>384,449</u>
Creditors: amounts falling due after more than one year	18	(76,053)	(92,824)	(59,072)	(75,843)
Net assets excluding pension liability		<u>319,896</u>	<u>295,702</u>	<u>332,477</u>	<u>308,606</u>
Net Pension liability	29	(161)	(225)	(161)	(225)
Net assets including pension liability		<u>319,735</u>	<u>295,477</u>	<u>332,316</u>	<u>308,381</u>
Deferred capital grants	20	183,031	180,877	178,898	176,536
Endowment funds					
Expendable	21	10,949	10,488	10,676	10,230
Permanent	21	24,383	22,560	24,383	22,560
		<u>35,332</u>	<u>33,048</u>	<u>35,059</u>	<u>32,790</u>
Reserves					
Income and expenditure account excluding pension reserve		89,061	69,600	106,382	86,985
Pension reserve	29	(161)	(225)	(161)	(225)
Income and expenditure account including pension reserve		<u>88,900</u>	<u>69,375</u>	<u>106,221</u>	<u>86,760</u>
Revaluation reserve	22	12,138	12,295	12,138	12,295
Other reserves		339	(113)	0	0
		<u>101,377</u>	<u>81,557</u>	<u>118,359</u>	<u>99,055</u>
Minority Interest		(5)	(5)	0	0
Total Funds		<u>319,735</u>	<u>295,477</u>	<u>332,316</u>	<u>308,381</u>

The notes on pages 25 to 45 form part of these financial statements

The financial statements on pages 21 to 45 were approved by Council on 24 November 2015 and signed on its behalf by:

SIR N MONTAGU
Chairman

PROFESSOR S GASKELL
President and Principal

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2015

	Note	2015 £000	2014 £000 <i>restated</i>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, tax and minority interest		18,274	16,488
Add			
Currency translation on net foreign investment		16	(14)
Revaluation of investments		436	(327)
New endowments	21	664	526
Revaluation of endowment investments	21	2,998	(671)
Management fee charged to endowment funds	21	(328)	(313)
Repayments of student benevolence loans	21	40	47
Actuarial adjustment on defined benefit pension scheme	29	4	(64)
Total recognised gains relating to the year		22,104	15,672
Reconciliation			
Opening reserves and endowments		114,605	98,933
Total recognised gains relating to the year		22,104	15,672
Closing reserves and endowments		136,709	114,605
Prior Year adjustment at 31 July 2013	34	(11,472)	

The notes on pages 25 to 45 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2015

	Note	2015 £000	2014 £000
Net cash inflow from operating activities	24	40,993	31,536
Returns on investments and servicing of finance	25	(2,333)	(2,247)
Capital expenditure and financial investment	26	(38,947)	(18,472)
Financing	27	(12,316)	(2,885)
(Decrease)/increase in cash	28	<u>(12,603)</u>	<u>7,932</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash for the year	28	(12,603)	7,932
Repayment of bank loans and finance leases	27	12,316	2,885
New finance leases	28	<u>(5,619)</u>	(302)
Change in net debt		(5,906)	10,515
Net debt at 1 August		<u>(76,497)</u>	<u>(87,012)</u>
Net debt at 31 July	28	<u>(82,403)</u>	<u>(76,497)</u>

The notes on pages 25 to 45 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1 ACCOUNTING POLICIES**

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

Basis of preparation

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

Basis of consolidation

The financial statements consolidate the financial statements of QMUL and its subsidiaries and associated undertakings for the financial year ended 31 July 2015.

The consolidated income and expenditure account includes the results of QMUL's subsidiaries and the share of profits, losses and taxation of associated undertakings. Intragroup transactions are eliminated on consolidation.

Details of the investments made in these companies are presented in notes 13 and 14.

The consolidated financial statements do not include those of the Queen Mary, University of London Students' Union because it is an independent association with separate control. The grant to the Students Union is disclosed in note 8.

Recognition of income

- i. Funding body block grants are accounted for in the year to which they relate.
- ii. Fee income is credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment income received is shown net of the discount. Bursaries paid to students are accounted for gross as expenditure and not deducted from income. Scholarships which reduce the tuition fees payable and fee waivers are deducted from tuition fee income.
- iii. Income from sponsored research grants and contracts is accounted for on an accruals basis and included to the extent that direct expenditure and recoverable overheads were incurred during the year. Any payments received in advance of performance are recognised in the balance sheet as liabilities. Funds QMUL receives and disburses as paying agent for the grant giving body are excluded from income and expenditure where there is minimal exposure to risk or minimal economic benefit received.
- iv. Other operating income is recorded in income when it has been earned.
- v. Investment income is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not required to cover expenditure in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowments in the balance sheet and are reported in the statement of total recognised gains and losses.
- vi. Grants or donations received in respect of expenditure on fixed assets are treated as deferred capital grants and released to the income and expenditure account in line with depreciation over the life of the asset.
- vii. Charitable donations are recognised when received or when there is sufficient evidence to provide the necessary certainty that the donation will be received and the amount can be measured with sufficient reliability. Donations which are to be retained for the benefit of QMUL are recognised in the statement of total recognised gains and losses and in endowments: other donations are recognised by inclusion as other income in the income and expenditure account.
- viii. Increases or decreases in value arising on the revaluation or disposal of fixed asset investments are added to or subtracted from the fund concerned and are reported in the statement of total recognised gains and losses.

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

Tangible fixed assets

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

- i. Freehold land and buildings and long leasehold buildings are stated at cost or valuation. QMUL has applied the transitional rules, contained in Financial Reporting Standard 15, Tangible Fixed Assets, to retain the previous valuations of these properties but not to adopt a policy of revaluation in the future. Since 1 August 2001 all additions to fixed assets have been at cost.
- ii. Depreciation on buildings is calculated at 2% per annum using the reducing balance method. Depreciation on leased buildings is calculated at 2% per annum or over the life of the lease if the lease is less than 50 years. No provision for depreciation is made against the value of land.
- iii. Assets in the course of construction are stated at cost and are not depreciated until they are transferred to the completed asset class when ready for use.
- iv. Plant and Machinery is depreciated over 10 to 15 years.
- v. Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.
- vi. Capitalised equipment is depreciated over 3 to 8 years.

NOTES TO THE FINANCIAL STATEMENTS continued**1 ACCOUNTING POLICIES continued****Tangible fixed assets continued**

- vii. Expenditure on an asset after it is purchased is capitalised when the expected future benefits from that asset as a result of the expenditure are greater than those previously assessed.
- viii. Where assets are acquired with the aid of specific grants they are capitalised and depreciated over the shorter of the term of the grant or the depreciation terms as set out above. The related grants are treated as deferred capital grants and released to income in line with the depreciation charge.
- ix. Assets held under finance leases are depreciated over the period of the finance lease or their useful economic life whichever is shorter.
- x. Improvements to properties held under short leases are depreciated over the life of the lease.
- xi. Where it is considered that there has been any impairment in the value of an asset, the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the income and expenditure account. Circumstances which could give rise to an impairment are reviewed annually.
- xii. QMUL owns heritage assets, none of which either individually or collectively are material to these Financial Statements, which have not been capitalised.
- xiii. Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the year it is incurred. QMUL has a planned maintenance programme which is reviewed annually.

Intangible assets

Intangible assets are stated at cost less amortisation. The negative goodwill is written off over 15 years.

Investments

- i. Listed investments held as fixed assets or endowment assets are shown at market value if they are readily tradeable.
- ii. Investments in subsidiary and associate undertakings are shown at the lower of cost or net realisable value in QMUL's balance sheet. Associate undertakings are shown at QMUL's attributable share of net assets in the consolidated balance sheet.
- iii. Unquoted investments are held at cost or impaired value.
- iv. Current asset investments are held at the lower of cost and net realisable value.

Stocks

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

Liabilities

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

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

Leases

Finance leases which transfer substantially all the benefits and risks of ownership of an asset to QMUL, are treated as if the asset was purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to provide the outstanding obligation at the next option date and the interest element is charged to the income and expenditure account so as to give a constant periodic rate of charge of the remaining balance outstanding at the end of each accounting year.

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

NOTES TO THE FINANCIAL STATEMENTS continued

1 ACCOUNTING POLICIES continued

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Exchange differences arising have been included in the income and expenditure account for the year.

Associate companies

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

Associate entities are consolidated using the equity method in accordance with FRS 9.

Pension Schemes

As described in note 29, QMUL is a member of three defined benefit pension schemes: the Superannuation Arrangements of the University of London, the Universities Superannuation Scheme, and the NHS Public Service Scheme which are multi-employer schemes where it is not possible to identify the share of assets and liabilities attributable to each employer on a consistent and reasonable basis. QMUL therefore accounts for its pension costs on a defined contribution basis as permitted by FRS 17. Differences between amounts charged to the income and expenditure account and amounts funded are shown as either provisions or prepayments in the balance sheet. QMUL also operates a closed defined benefit pension scheme for the non teaching staff of the London Hospital and St Bartholomew's Hospital medical colleges which is accounted for in accordance with FRS 17 and further described in note 29. QMUL is not a member of any defined contribution schemes which incur costs or liabilities other than the defined contributions themselves.

Endowment funds

Endowments are charitable donations to be retained for the benefit of the institution as specified by the donors. There are three main types:

- i. Unrestricted permanent endowments which the donor has specified are to be permanently invested to generate an income stream for the general benefit of QMUL.
- ii. Restricted expendable endowments which the donor has specified are to be used for a specific purpose other than purchase or construction of tangible fixed assets.
- iii. Restricted permanent endowments which the donor has specified are to be permanently invested to generate an income stream for a particular purpose.

Tax status

QMUL 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, QMUL is potentially exempt from tax in respect of income or capital gains received within categories covered by Section 287 of CTA 2009 and sections 471 and 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. QMUL is registered for Value Added Tax (VAT) but is unable to recover input tax incurred on the majority of its expenditure, most education and research being exempt activities under VAT legislation. Irrecoverable VAT is included in the cost of the goods or service.

2 FUNDING BODY GRANTS

	Note	2015 £000	2014 £000
Recurrent grant		61,615	70,622
Specific grants			
Higher education innovation fund		2,444	2,715
Other		374	928
		<u>2,818</u>	<u>3,643</u>
Deferred capital grants released in year			
Buildings	20	2,843	2,900
Plant	20	1,161	1,160
Equipment	20	2,506	2,251
		<u>6,510</u>	<u>6,311</u>
Total		<u><u>70,943</u></u>	<u><u>80,576</u></u>

NOTES TO THE FINANCIAL STATEMENTS continued

3 TUITION FEES AND EDUCATION CONTRACTS

	Note	2015 £000	2014 £000
Full-time students charged home/EU fees		87,559	71,226
Full-time students charged overseas fees		68,756	56,961
Part-time students		3,798	3,201
Short course fees		1,511	1,138
Other fees and support grants		1,238	1,220
Education contracts		693	680
		<u>163,555</u>	<u>134,426</u>

4 RESEARCH GRANTS AND CONTRACTS

			restated
Research councils		23,481	22,406
UK central government bodies		12,654	14,682
UK industry and commerce		6,022	5,399
UK-based charitable and health bodies		22,142	22,925
European Community		10,331	10,862
Other overseas countries		3,838	3,530
Other		2,851	1,873
Other: Research and development expenditure credit		9,387	0
Deferred capital grants released in year	20	2,456	2,270
		<u>93,162</u>	<u>83,947</u>

The prior year has been restated by £20K to reflect the reduction of the deferred capital grant released in the year following a review of the fixed asset register. For further information see note 34.

The prior year has been reclassified so that £3,279K of income has been shown as other income not as research grant and contract income.

5 OTHER INCOME

Residences, catering and conferences		16,316	16,001
Other services rendered		10,615	8,735
Health authorities		13,638	16,654
Other income		7,542	7,353
Deferred capital grants released in year	20	367	650
		<u>48,478</u>	<u>49,393</u>

The prior year has been reclassified so that £3,279K of income has been shown as other income not as research grant and contract income.

6 ENDOWMENT AND INVESTMENT INCOME

Income from expendable endowments	21	103	135
Income from restricted permanent endowments	21	226	290
Income from investments and cash		294	370
		<u>623</u>	<u>795</u>

7 STAFF COSTS

	Note	2015 £000	2014 £000
(i) Staff costs:			
Wages and salaries		176,389	166,157
Social security costs		15,197	14,259
Other pension costs	29	23,196	22,088
Compensation for loss of office		961	1,381
		<u>215,743</u>	<u>203,885</u>

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

NOTES TO THE FINANCIAL STATEMENTS continued

7 STAFF COSTS continued

(ii) Emoluments of the President and Principal

Basic salary	275	259
Benefits in kind	9	10

The emoluments of the President and Principal are shown on the same basis as for higher paid staff. Since the 1 October 2013 QMUL has not paid any pension contributions to USS for the President and Principal (2014 £6,615).

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

(iii) Remuneration of other higher-paid staff

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

	2015	2014
	Number of staff	Number of staff
£100,000 — £110,000	20	21
£110,001 — £120,000	16	22
£120,001 — £130,000	19	16
£130,001 — £140,000	8	12
£140,001 — £150,000	15	13
£150,001 — £160,000	12	7
£160,001 — £170,000	6	8
£170,001 — £180,000	6	3
£180,001 — £190,000	8	6
£190,001 — £200,000	1	0
£200,001 — £210,000	2	1
£210,001 — £220,000	0	1
£220,001 — £230,000	2	1
£230,001 — £240,000	0	1
£240,001 — £250,000	2	2
£250,001 — £260,000	1	2
£260,001 — £270,000	0	0
£270,001 — £280,000	1	0
£340,001 — £350,000	1	0
	<u>120</u>	<u>116</u>

No compensation for loss of office was made to higher paid members of staff in the year to 31 July 2015 (2014 £154,302 to 2 members of staff).

(iv) Average number of full time equivalent employees by category

Academic and education	1,775	1,687
Professional services	1,422	1,375
Technical services	242	212
Operational services	259	261
	<u>3,698</u>	<u>3,535</u>

(v) Trustees (members of Council)

The Trustees neither received nor waived any emoluments during the year (2014 £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 2015, 3 Trustees (2014 7) were reimbursed a total of £994 (2014 £1,522).

NOTES TO THE FINANCIAL STATEMENTS continued

8 OTHER OPERATING EXPENSES

	2015	2014
	£000	£000
Other operating expenses include:		
Residences, catering and conferences	3,924	3,240
Consumables and laboratory expenditure	23,576	20,043
Funds payable to other colleges	315	219
Equipment	8,718	7,192
Books and periodicals	3,578	3,412
Fellowships, scholarships, prizes and studentships	19,278	19,345
Heat, light, water and power	3,953	5,456
Repairs and general maintenance	4,991	3,464
Rent, rates and insurance	2,280	2,048
Other premises costs	1,158	1,065
Provision for doubtful debts and other amounts written off	289	(352)
Grant to Students' Union	1,438	1,180
Auditor's remuneration for audit of QMUL	98	113
Auditor's remuneration for audit of the subsidiaries	41	57
Auditor's remuneration in respect of other services	0	73
Operating lease rental charges in respect of land and buildings	1,744	1,647
Operating lease rental charges in respect of other leases	2,359	1,565
University of London central charges	1,331	1,417
Professional and other fees	9,371	9,480
Conferences, travel and training	9,512	9,544
Contract and Agency Staff	9,026	9,120
Miscellaneous expenditure*	9,816	6,657
	116,796	105,985

* Includes £111,878 in respect of Internal Audit fees (2014 £141,492) and a one off adjustment of £2.3m in respect of a finance lease. The prior year has been reclassified so that £226,000 has been shown as taxation not as other operating expenditure

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other operating expense	Interest Payable and other finance costs	2015 Total	2014 Total restated
	£000	£000	£000	£000	£000	£000
Academic departments	125,316	2,016	36,409	0	163,741	153,194
Academic services	9,141	4,705	7,308	123	21,277	17,401
Research grants and contracts	40,916	2,263	31,617	0	74,796	72,160
Residences, catering and conferences	3,636	142	3,924	0	7,702	6,927
Premises	8,232	8,932	12,155	2,849	32,168	30,976
Administration	25,560	2,260	21,031	0	48,851	44,697
Other	2,942	535	4,352	0	7,829	7,512
Total per income and expenditure account	215,743	20,853	116,796	2,972	356,364	332,867
Total for year ended 31 July 2014	203,885	19,969	105,985	3,028		332,867
The depreciation charge has been funded by:	Note					
Deferred capital grants released	20	9,333				9,231
Revaluation reserve released	22	157				159
General income		11,363				10,579
		20,853				19,969

Other operating expenses include:

External auditor's remuneration in respect of audit services	139	170
External auditor's remuneration in respect of other services	0	73

The prior year has been restated by £170K to reflect the reduction of depreciation in the year following a review of the fixed asset register. For further information see note 34.

The prior year has been reclassified so that £2,798K of expenditure on research grants and contracts has been transferred to Academic departments

NOTES TO THE FINANCIAL STATEMENTS continued

10 TAXATION

	2015	2014
	£000	£000
Macau complementary tax on the profits of Queen Mary Research Laboratories (Macau) Limited	0	4
Corporation tax for Associate Companies	0	3
Corporate income tax on the profits of China operations	276	226
QMUL: Research and development tax credits	2,045	0
Tax Charge	<u>2,321</u>	<u>233</u>

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

The prior year has been reclassified so that £226,000 has been shown as taxation not as other operating expenditure

11 TANGIBLE ASSETS

	Freehold land and buildings	Long leasehold	Short leasehold	Assets in course of construction	Plant & machinery	Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Cost							
At 1 August 2014	370,406	26,516	3,693	18,958	40,187	57,513	517,273
Transfers	18,428	0	1,720	(28,838)	1,379	7,311	0
Additions at cost	0	0	0	37,528	1,831	9,381	48,740
Disposal	0	0	0	0	0	0	0
At 31 July 2015	<u>388,834</u>	<u>26,516</u>	<u>5,413</u>	<u>27,648</u>	<u>43,397</u>	<u>74,205</u>	<u>566,013</u>
Accumulated Depreciation							
At 1 August 2014	(65,953)	(9,157)	(891)	0	(23,548)	(26,712)	(126,261)
Charge for the year	(6,345)	(347)	(243)	0	(2,984)	(12,117)	(22,036)
Reversal of impairment	756	0	0	0	327	52	1,135
Disposal	0	0	0	0	0	0	0
At 31 July 2015	<u>(71,542)</u>	<u>(9,504)</u>	<u>(1,134)</u>	<u>0</u>	<u>(26,205)</u>	<u>(38,777)</u>	<u>(147,162)</u>
Net book value							
At 31 July 2015	<u>317,292</u>	<u>17,012</u>	<u>4,279</u>	<u>27,648</u>	<u>17,192</u>	<u>35,428</u>	<u>418,851</u>
Net book value							
At 31 July 2014 (restated)	<u>304,453</u>	<u>17,359</u>	<u>2,802</u>	<u>18,958</u>	<u>16,639</u>	<u>30,801</u>	<u>391,012</u>
QMUL							
Cost							
At 1 August 2014	365,936	26,516	3,693	18,958	31,329	52,666	499,098
Transfers	18,428	0	1,720	(28,838)	1,379	7,311	0
Additions at cost	0	0	0	37,528	1,831	9,381	48,740
Disposal	0	0	0	0	0	0	0
At 31 July 2015	<u>384,364</u>	<u>26,516</u>	<u>5,413</u>	<u>27,648</u>	<u>34,539</u>	<u>69,358</u>	<u>547,838</u>
Accumulated Depreciation							
At 1 August 2014	(61,107)	(9,157)	(891)	0	(18,086)	(23,178)	(112,419)
Charge for the year	(6,103)	(347)	(243)	0	(2,266)	(11,326)	(20,285)
Disposal	0	0	0	0	0	0	0
At 31 July 2015	<u>(67,210)</u>	<u>(9,504)</u>	<u>(1,134)</u>	<u>0</u>	<u>(20,352)</u>	<u>(34,504)</u>	<u>(132,704)</u>
Net book value							
At 31 July 2015	<u>317,154</u>	<u>17,012</u>	<u>4,279</u>	<u>27,648</u>	<u>14,187</u>	<u>34,854</u>	<u>415,134</u>
Net book value							
At 31 July 2014 (restated)	<u>304,829</u>	<u>17,359</u>	<u>2,802</u>	<u>18,958</u>	<u>13,243</u>	<u>29,488</u>	<u>386,679</u>

NOTES TO THE FINANCIAL STATEMENTS continued

11 TANGIBLE ASSETS continued

The prior year net book value of freehold land and buildings has been restated by £12,422K, being a reduction to cost of £14,922K and accumulated depreciation of £2,480K, following a review of the fixed asset register of QMUL which identified a number of fixed assets which had been disposed of or demolished. At 1 August 2014 the cost and accumulated depreciation of equipment have been restated by £46,665K which represents fully depreciated assets.

Freehold land and buildings includes land with a cost of £4,735k (QMUL £17,201k) which is not depreciated.

The freehold of the Medical College site at Charterhouse Square is vested in the Trustees of the Medical College of St Bartholomew's Hospital Trust. The site is leased to QMUL for a term of 25 years from 25 November 2008. The rent is one peppercorn per annum plus an annual rent equal to the rents received from the sub-tenancies. In addition QMUL holds an underlease on premises at Goswell Road also for a term of 25 years from 25 November 2008, on similar terms.

Plant and machinery includes plant at a cost of £25,724K with a net book value of £7,268K in respect of assets under finance leases. The depreciation charge in respect of these assets is £1,733K. Equipment includes assets at a cost of £10,665K with a net book value of £5,519K in respect of assets under finance leases. The annual depreciation charge in respect of these assets is £1,814K

Queen Mary Bioenterprises Ltd owns a science innovation centre facility that it lets to Queen Mary University of London and external companies. The whole building was impaired in 2009/10. The reversal of impairment is based on: (i) the area occupied by Queen Mary University of London being reverted to its cost less depreciation position; and (ii) the pro-rotta NBV of the area occupied by external companies was compared to the discounted cash flows that area would generate over a 25 year period using best estimates and an appropriate discount rate.

An associated deferred capital grant adjustment has been carried out in accordance with accounting policy.

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

12 INTANGIBLE ASSETS

	Consolidated and QMUL
	2015
	£000
Cost	
At 1 August 2014	0
Additions at cost	(518)
At 31 July 2015	<u>(518)</u>
Amortisation	
At 1 August 2014	0
Charge for the year	48
At 31 July 2015	<u>48</u>
Net book value	
At 31 July 2015	<u><u>(470)</u></u>
Net book value	
At 31 July 2014	<u><u>0</u></u>

The intangible asset (negative goodwill) arose on the acquisition of the fixed assets of the Centre of the Cell at no cost.

NOTES TO THE FINANCIAL STATEMENTS continued

13 INVESTMENTS

	Subsidiary Companies	Other investments	Shared equity property	Total
	£000	£000	£000	£000
Consolidated				
Cost at 1 August 2014	0	223	3,310	3,533
Disposals	0	0	(696)	(696)
Cost at 31 July 2015	<u>0</u>	<u>223</u>	<u>2,614</u>	<u>2,837</u>
QMUL				
Cost at 1 August 2014	3,516	203	3,310	7,029
Disposals	0	0	(696)	(696)
Cost at 31 July 2015	<u>3,516</u>	<u>203</u>	<u>2,614</u>	<u>6,333</u>

Sale of investment in shared equity property

During the year, QMUL sold its investments in 3 shared equity properties for £929,000, a profit of £233,000.

Subsidiary companies

QMUL 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	100.0%	Participatory arts charity
Queen Mary Innovation Limited	England	Ordinary	100.0%	Holding Company
Queen Mary Innovation Limited	England	Preference	100.0%	Holding Company
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48.0%	Smart antennas for wireless networks
Queen Mary University of London Holdings Ltd	Malta	Ordinary	100.0%	Holding Company
Queen Mary University of London - Malta Limited	Malta	Ordinary	100.0%	Provision of education
Touchkeys Instruments Ltd	England	Ordinary	100.0%	Musical Instruments

Whilst QMUL 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 QMUL.

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

Nanoforce Technology Limited	England	Ordinary	100.0%	Micro and nanotechnology facility
Q.M.W. Developments Limited	England	Ordinary	100.0%	Property development
Queen Mary Bioenterprises Limited	England	Ordinary	100.0%	Developing Innovation Centre
Queen Mary Research and Consulting (Hong Kong) Limited	Hong Kong	Ordinary	100.0%	Supporting QMUL activities
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	52.0%	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	100.0%	Supporting QMUL activities
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NOTES TO THE FINANCIAL STATEMENTS continued

13 INVESTMENTS continued

Other Investments

QMUL holds 2,610,000 shares in Actual Experience Limited.

QMUL holds 1,838,236 shares in Biomoti Limited.

QMUL holds 406 ordinary shares in Chatterbox Analytics Limited.

QMUL holds 1 ordinary A share in Combined London Colleges (General Partner) Limited.

QMUL holds 36,028 shares in CVCP Properties PLC.

QMUL holds 2,053,379 ordinary shares in hVIVO PLC

QMUL holds 196,572 ordinary shares in Landr Audio Inc

QMUL holds 7,200 ordinary shares in Stealthyx Therapeutics Limited

QMUL is a limited partner in Kinetique Biomedical Seed Fund LP and Combined London Colleges University Challenge LP. Both of these partnerships have an independent general partner that fully controls the partnership.

QMUL is a member of Association for University Research and Industry Links, London University Purchasing Consortium and UCL Partners Limited, all of which are limited by guarantee companies.

Queen Mary Innovation Limited holds 46,500 shares in Actual Experience PLC, representing 0.2% of the share capital.

Queen Mary Innovation Limited holds 223,500 ordinary shares in hVIVO PLC

Queen Mary Innovation Limited holds 24,500 ordinary shares in Phosphonics Limited

14 INVESTMENTS IN ASSOCIATES

	Consolidated		QMUL	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cost at 1 August 2014	55	115	1	1
Share of (loss) / profit	(4)	15	0	0
Share of corporation taxation	0	(3)	0	0
Change in reserves	19	(72)	0	0
Cost at 31 July 2015	70	55	1	1
Share of Net Liabilities in Associates:				
Cost at 1 August 2014	(437)	(570)	0	0
Share of loss	(31)	(50)	0	0
Change in reserves	0	183	0	0
Cost at 31 July 2015	(468)	(437)	0	0

QMUL holds directly the following shares in associate companies:

	Country of registration	Equity holding	Proportion held	Principal activity
Biomin Technologies Limited	England	Ordinary	32.0%	Dental materials
Degrasense Limited	England	Ordinary	47.7%	Industrial biosensors
Emdot Limited	England	Ordinary	27.6%	Inkjet printing technology
Varydose Limited	England	Ordinary	25.0%	Pharmaceutical dispensing
Vision Semantics Limited	England	Ordinary	39.0%	CCTV analytics
William Harvey Research Limited	England	Ordinary	40.0%	Research

QMUL holds indirectly the following shares in associate companies:

Vision Semantics (HK) Limited	Hong Kong	Ordinary	39.0%	CCTV analytics
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Queen Mary Innovation Limited holds directly the following shares in associate companies:

Abonetics 2000 Limited	England	Ordinary	50.0%	Intellectual property
Abonetics 2000 Limited	England	Preference	100.0%	Intellectual property

NOTES TO THE FINANCIAL STATEMENTS continued

15 ENDOWMENT ASSETS

	Consolidated		QMUL	
	2015	2014	2015	2014
	£000	£000	£000	£000
Balance at 1 August 2014 (2013)	33,048	34,072	32,790	34,001
Increase/(decrease) in market value of investments	2,998	(671)	2,998	(671)
Management Fee	(328)	(313)	(328)	(313)
Change in accrued bond income due	(13)	(5)	(13)	(5)
Decrease in cash balance held by QMUL for endowment funds	(388)	(222)	(388)	(222)
Increase in cash balance held by subsidiary charities	15	187	0	0
Balance at 31 July 2015 (2014)	35,332	33,048	35,059	32,790
Represented by:				
Fixed interest stocks	13,844	10,802	13,844	10,802
Equities	15,968	16,920	15,968	16,920
Property investment trusts and shares	3,798	1,757	3,798	1,757
Hedge funds	2	3	2	3
Cash balance with fund manager	629	2,102	629	2,102
Cash held by QMUL for endowment funds	818	1,206	818	1,206
Cash held by subsidiary charities	273	258	0	0
	35,332	33,048	35,059	32,790

16 DEBTORS

	Consolidated		QMUL	
	2015	2014	2015	2014
	£000	£000	£000	£000
Research grants/contracts	19,875	19,518	19,860	19,489
Other debtors	12,021	14,279	11,513	13,672
Amounts owed by subsidiaries	0	0	463	808
Prepayments and accrued income	13,382	6,346	13,209	6,223
Amounts owed by associates: trading balances	41	0	41	0
	45,319	40,143	45,086	40,192

The prior year consolidated and QMUL research grants/contracts and other debtors have been reclassified by £213K.

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		QMUL	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans and overdrafts	1,204	1,175	1,204	1,175
Finance leases	21,244	11,217	21,244	11,217
Social security and other taxation payable	4,743	4,364	4,735	4,353
Research grants/contracts in advance	53,989	49,658	53,907	49,590
Other creditors and credit balances	16,124	16,846	15,747	16,073
Deferred grants	1,454	504	1,454	504
Accruals and deferred income	20,518	19,517	20,029	19,219
Amounts owed to subsidiaries	0	0	3,197	3,167
	119,276	103,281	121,517	105,298

The prior year consolidated and QMUL research grants/contracts in advance and accruals and deferred income have been reclassified by £1,366K.

NOTES TO THE FINANCIAL STATEMENTS continued

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank loan	71,590	72,439	54,608	55,458
Finance leases	3,963	19,885	3,964	19,885
Other creditors	500	500	500	500
	<u>76,053</u>	<u>92,824</u>	<u>59,072</u>	<u>75,843</u>

Analysis of bank loans and finance leases

Within one year	22,093	12,019	22,093	12,019
Within two and five years	8,284	23,762	7,145	22,948
In five years or more	67,269	68,562	51,427	52,395
Total	<u>97,646</u>	<u>104,343</u>	<u>80,665</u>	<u>87,362</u>

Included within bank loans are the following:

Lender	Amount £000	Term years	Interest rate %	Borrower
Lloyds Bank PLC (unsecured)	8,559	28	0.18 above LIBOR	QMUL
Lloyds Bank PLC (unsecured)	47,700	28	5.01	QMUL
Barclays Bank PLC (secured)	16,981	27	5.27	Queen Mary Bioenterprises Limited
	<u>73,240</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 facility is for 27 years to 2034 and £16.475m of the loan facility has been drawn down. Interest is fixed at a rate of 5.27% p.a. Interest is 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 repaid by quarterly instalments from March 2019 and until the end of the loan facility. The loan facility is guaranteed by QMUL until such time as Queen Mary Bioenterprises Limited meets defined finance covenants for three consecutive years. The loan is secured on the QMB Innovation Centre.

QMUL entered into a loan facility agreement with Queen Mary Bioenterprises Limited for £15.5m in 2009/10. The loan is not secured over any assets and incurs interest at 5.27% p.a. As at the end of the year £13.5m of this facility was drawn down (2014 £13.3m).

19 FINANCIAL COMMITMENTS

At 31 July 2015 QMUL had annual commitments under operating leases as follows:

	Consolidated and QMUL			Consolidated and QMUL		
	Buildings 2015 £000	Equipment 2015 £000	Total 2015 £000	Buildings 2014 £000	Equipment 2014 £000	Total 2014 £000
Leases which expire within one year	16	241	257	0	280	280
Leases which expire in the second to fifth year	361	1,841	2,201	238	1,755	1,993
Leases which expire in five years or more	1,252	0	1,252	1,255	0	1,255
	<u>1,629</u>	<u>2,082</u>	<u>3,710</u>	<u>1,493</u>	<u>2,035</u>	<u>3,528</u>

NOTES TO THE FINANCIAL STATEMENTS continued

20 DEFERRED CAPITAL GRANTS

	HEFCE	Research grants	Other gifts	Total	Total
Note	2015	2015	2015	2015	2014
	£000	£000	£000	£000	£000
Consolidated					
At 1 August 2014 (2013)					
Buildings	142,107	12,818	7,189	162,114	165,170
Assets in the course of construction	0	0	0	0	1,682
Plant	5,893	2	1,232	7,127	8,197
Equipment	6,870	3,036	1,730	11,636	10,220
Total	154,870	15,856	10,151	180,877	185,269
Cash received/receivable					
Buildings	0	0	0	0	355
Assets in the course of construction	3,189	302	0	3,491	0
Plant	0	0	0	0	0
Equipment	1,795	6,201	0	7,996	4,484
Total	4,984	6,503	0	11,487	4,839
Released to income and expenditure					
Buildings	2,4,5	(2,843)	(256)	(3,056)	(3,302)
Plant	2,4,5	(1,161)	(1)	(1,321)	(1,402)
Equipment	2,4,5	(2,506)	(2,199)	(4,956)	(4,527)
Total		(6,510)	(2,456)	(9,333)	(9,231)
Transfers					
Buildings	0	0	0	0	(109)
Assets in the course of construction	0	0	0	0	(1,682)
Plant	0	0	0	0	332
Equipment	0	0	0	0	1,459
Total	0	0	0	0	0
At 31 July 2015 (2014)					
Buildings	139,264	12,562	7,232	159,058	162,114
Assets in the course of construction	3,189	302	0	3,491	0
Plant	4,732	1	1,073	5,806	7,127
Equipment	6,159	7,038	1,479	14,676	11,636
Total	153,344	19,903	9,784	183,031	180,877

Deferred capital grants have been restated at 1 August 2014 by £970K which has been eliminated from grants allocated to buildings following a review of QMUL's fixed asset register and the associated deferred capital grants. The amount released to the income and expenditure account in 2014 has been restated and reduced by £20K. For further information see note 34.

NOTES TO THE FINANCIAL STATEMENTS continued

20 DEFERRED CAPITAL GRANTS continued

	HEFCE	Research grants	Other gifts	Total	Total
Note	2015	2015	2015	2015	2014
	£000	£000	£000	£000	£000
QMUL					
At 1 August 2014 (2013)					
Buildings	142,107	12,818	4,166	159,091	162,085
Assets in the course of construction	0	0	0	0	1,682
Plant	5,893	0	230	6,123	6,952
Equipment	6,870	3,036	1,416	11,322	9,713
Total	154,870	15,854	5,812	176,536	180,432
Cash received					
Buildings	0	0	0	0	355
Assets in the course of construction	3,188	302	0	3,490	0
Plant	0	0	0	0	0
Equipment	1,795	6,201	0	7,996	4,484
Total	4,983	6,503	0	11,486	4,839
Released to income and expenditure					
Buildings	2	(2,843)	(256)	(86)	(3,185)
Plant	2	(1,161)	0	(1)	(1,161)
Equipment	2	(2,506)	(2,199)	(72)	(4,777)
Total		(6,510)	(2,455)	(159)	(9,124)
Transfers					
Buildings	0	0	0	0	(109)
Assets in the course of construction	0	0	0	0	(1,682)
Plant	0	0	0	0	332
Equipment	0	0	0	0	1,459
Total	0	0	0	0	0
At 31 July 2015 (2014)					
Buildings	139,264	12,562	4,080	155,906	159,091
Assets in the course of construction	3,188	302	0	3,490	0
Plant	4,732	0	229	4,961	6,123
Equipment	6,159	7,038	1,344	14,541	11,322
Total	153,343	19,902	5,653	178,898	176,536

Deferred capital grants have been restated at 1 August 2014 by £970K which has been eliminated from grants allocated to buildings following a review of QMUL's fixed asset register and the associated deferred capital grants. The amount released to the income and expenditure account in 2014 has been restated and reduced by £20K. For further information see note 34.

NOTES TO THE FINANCIAL STATEMENTS continued

21 ENDOWMENTS

	Total restricted permanent	Total restricted expendable	Total endowment	Total endowment
	2015	2015	2015	2014
	£000	£000	£000	£000
Consolidated				
Balances at 1 August 2014 (2013)				
Capital	21,339	0	21,339	21,994
Accumulated income	1,221	10,488	11,709	12,078
	22,560	10,488	33,048	34,072
New endowments	2	662	664	526
Reallocation of capital balance	(14)	14	0	0
Investment income	226	103	329	425
Expenditure	(252)	(1,167)	(1,419)	(1,038)
Repayments of benevolence loans made to students	40	0	40	47
Increase/(decrease) in market value of investments	2,047	951	2,998	(671)
Management fee	(226)	(102)	(328)	(313)
Balances at 31 July 2015 (2014)	24,383	10,949	35,332	33,048
Represented by:				
Capital	23,148	0	23,148	21,339
Accumulated income	1,235	10,949	12,184	11,709
	24,383	10,949	35,332	33,048
QMUL				
Balances at 1 August 2014 (2013)				
Capital	21,339	0	21,339	21,994
Accumulated income	1,221	10,230	11,451	12,007
	22,560	10,230	32,790	34,001
New endowments	2	284	286	260
Reallocation of capital balance	(14)	14	0	0
Investment income	226	102	328	425
Expenditure	(252)	(802)	(1,054)	(959)
Repayments of benevolence loans made to students	40	0	40	47
Increase/(decrease) in market value of investments	2,047	950	2,997	(671)
Management fee	(226)	(102)	(328)	(313)
Balances at 31 July 2015 (2014)	24,383	10,676	35,059	32,790
Represented by:				
Capital	23,148	0	23,148	21,339
Accumulated income	1,235	10,676	11,911	11,451
	24,383	10,676	35,059	32,790

NOTES TO THE FINANCIAL STATEMENTS continued

22 REVALUATION RESERVE

	Consolidated and QMUL	
	2015	2014
	£000	£000
Balance at 1 August 2014 (2013)	12,295	12,454
Released in year	(157)	(159)
Balance at 31 July 2015 (2014)	<u>12,138</u>	<u>12,295</u>

23 CAPITAL COMMITMENTS

	Consolidated and QMUL	
	2015	2014
	£000	£000
Capital expenditure contracted but not provided for in financial statements	<u>26,619</u>	<u>7,602</u>

24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS BEFORE TAX AND SALE OF INVESTMENTS AND FIXED ASSETS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Note	Consolidated	
	2015	2014
	£000	£000
		<i>restated</i>
Surplus for the year after depreciation of assets at valuation and before tax and sale of investments & fixed assets		
Depreciation	20,397	16,270
Net return on pension assets	11,12 20,853	19,969
Cash payment to reduce pension deficit	6	6
Deferred capital grants released to income	20 (66)	(32)
Investment income	6 (9,333)	(9,231)
Interest payable	6 (623)	(795)
(Increase)/decrease in stocks	2,972	3,028
Increase in debtors	(49)	78
Increase in creditors	16 (7,497)	(555)
Decrease in creditors due after one year	18 31,104	14,547
Decrease in creditors due after one year	18 (16,771)	(11,749)
Net cash inflow from operating activities	<u>40,993</u>	<u>31,536</u>

25 RETURNS ON INVESTMENT AND SERVICING OF FINANCE

Income from investments	6	329	425
Interest received	6	294	370
Interest paid		(2,972)	(3,028)
Exchange rate gain on opening net assets of foreign subsidiary		16	(14)
Net cash outflow from returns on investment and servicing of finance		<u>(2,333)</u>	<u>(2,247)</u>

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible assets		(50,606)	(24,533)
Purchase of investments		(16,261)	(10,933)
Total payments to acquire fixed and endowment asset investments		<u>(66,867)</u>	<u>(35,466)</u>
Sale of endowment investments		14,800	10,322
Sale of equity share investments		929	763
Sale of land and buildings		0	497
Deferred capital grants received	20	11,487	4,839
Endowments received	21	704	573
		<u>27,920</u>	<u>16,994</u>
Net cash outflow from investing activities		<u>(38,947)</u>	<u>(18,472)</u>

NOTES TO THE FINANCIAL STATEMENTS continued

27 FINANCING

	Consolidated	
	2015	2014
	£000	£000
Repayment of amounts borrowed	(12,316)	(2,885)
Net cash outflow from financing	(12,316)	(2,885)

28 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2014	Cash Flows	Non cash movement	At 31 July 2015
	£000	£000	£000	£000
Cash at bank and in hand:				
Endowment assets	3,566	(1,846)	0	1,720
Other	24,280	(10,757)	0	13,523
Total cash at bank and in hand	27,846	(12,603)	0	15,243
Bank loan due within one year	(802)	802	(849)	(849)
Bank loan due after one year	(72,439)	0	849	(71,590)
Finance lease due within one year	(11,217)	11,514	(21,541)	(21,244)
Finance lease due after one year	(19,885)	0	15,922	(3,963)
Total net debt	(76,497)	(287)	(5,619)	(82,403)

29 PENSION COSTS

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

QMUL's contributions to the schemes, as at 31 July 2015, are shown below.

	USS	SAUL	NHS
	%	%	%
Employees' contributions - final salary scheme	7.50	6.00	6.00
Employees' contributions - career revalued benefits scheme	6.50	6.00	N/A
Employer's contributions	16.00	13.00	14.00
		2015	2014
		£000	£000
Contribution to USS		18,142	17,243
Contribution to SAUL		2,896	2,803
NHS Public Service scheme		2,143	2,035
Contribution paid to other pension schemes (note 29(v))		15	7
Net charge to income and expenditure account		23,196	22,088

At 31 July 2015 £3,030,000 (2014 £2,860,000) of pension payments were outstanding which were paid when due in August. There were no prepayments in either year.

(i) USS

QMUL participates in USS, a defined benefit scheme which is contracted out of the State Second pension. The assets of the scheme are held in a separate Trust administered by the trustee, Universities Superannuation Scheme Limited. USS is a multi employer scheme and QMUL is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. QMUL therefore accounts for its pension costs on a defined contribution basis, as permitted by Financial Reporting Standard 17 Accounting for Pension Costs. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting year.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 which was carried out using the projected unit method and is currently being audited by the scheme auditor. The 2014 valuation indicates that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme specific funding regime introduced by the Pensions Act 2004 which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date the value of the scheme's assets was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets were therefore sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary has estimated that the FRS funding level at 31 March 2015 was 72% which has fallen from 75% at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

29 PENSION COSTS continued

In October 2011, a number of changes to the benefits provided by the scheme were introduced: other than in specific circumstances the pensions provided to new entrants are on a career revalued benefits basis, the normal pension age was increased for future service and new entrants to 65; flexible retirement options were introduced; member contributions were increased to 7.5% and 6.5% for final salary and career revalued benefit members respectively; any future increases in the total contribution level will be funded 65% by the employer and 35% by the employee and for service accruing after 30 September 2011, pensions in payment will be increased by matching an increase in official pensions up to 5% and then half of the difference up to a maximum of 10%.

(ii) SAUL

QMUL participates in SAUL which is a centralised defined benefit scheme for all qualifying employees and is contracted out of the State Second Pension. The assets are held in separate Trust-administered funds. SAUL is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. QMUL therefore accounts for its pension costs on a defined contribution basis, as permitted by Financial Reporting Standard 17 Accounting for Pension Costs. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting year.

The last available actuarial valuation of the scheme was at 31 March 2011 using the projected unit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results have been given below. Following UK government legislation, from 2011 statutory pension increases are based on the Consumer Prices Index not the Retail Price Index as previously.

In July 2012 the career average revalued earnings (CARE) benefit structure was introduced for new members joining the scheme. As a consequence, the cost of benefit accrual is expected to fall as existing final salary scheme members are replaced by members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021.

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

Latest Actuarial Valuations

	USS 31/03/2014	SAUL 31/03/2011
Assumptions		
Investment returns per annum – past service liabilities	N/A	6.8%
Investment returns per annum – future service liabilities	N/A	6.8%
Salary scale increases per annum until 31 March 2014	N/A	3.75%
Salary scale increases per annum after 31 March 2014	N/A	4.5%
Salary scale increases per annum 2015/16	3.5%	N/A
Salary scale increases per annum after 2015/16	4.4%	N/A
Pension increases per annum	2.2%	2.8%
Results		
Market value of assets at date of last valuation	£41.6bn	£1,506m
Regular contribution rate from 1 April 2016	18.0%	13.0%
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	75%	95%

(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 QMUL to identify its share of the underlying scheme assets and liabilities. QMUL therefore accounts for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard 17.

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

(iv) London Hospital and St Bartholomew's Hospital non teaching staff scheme

QMUL 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 QMUL, the members were offered membership of SAUL and ceased to accrue benefits in the scheme on 1 August 1996. There are no active members in the scheme. The last triennial valuation of the scheme was at 31 July 2012. At that date the value of the assets was lower than the actuarial valuation by £260,000, a funding level of 84%. QMUL has agreed a plan to reduce the actuarial deficit by annual payments of £32,000 on 1 August each year, rising each year in line with the Consumer Prices Index (CPI) to the previous September. QMUL meets the ongoing running expenses of the scheme together with any PPF levies.

NOTES TO THE FINANCIAL STATEMENTS continued

29 PENSION COSTS continued

The movement in the deficit in the year was:

	Value at 31/07/2015	Value at 31/07/2014	Value at 31/07/2013	Value at 31/07/2012	Value at 31/07/2011
Deficit in scheme at 1 August	(225)	(187)	(509)	(423)	(489)
Contribution by Employer	66	32	19	19	19
Current service cost	0	0	0	0	0
Other finance income	(6)	(6)	(20)	(22)	(26)
Actuarial gain/loss	4	(64)	323	(83)	73
Deficit in scheme at 31 July	<u>(161)</u>	<u>(225)</u>	<u>(187)</u>	<u>(509)</u>	<u>(423)</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 Barts section are unaffected and remain fixed at 3% per annum.

The scheme has been closed since 1 August 1996. £66,000 was charged to operating profit in the year (2014 £32,000).

(v) Defined contribution scheme

One of QMUL's subsidiaries offered a defined contribution pension scheme to its staff. The cost for the year was £15,000 (2014 £7,000). There were no outstanding or prepaid contributions at the balance sheet date.

30 ACCESS FUNDS

	2015 £000	2014 £000
Balance brought forward	1	7
Grant received	0	188
Interest	0	1
Expenditure	(1)	(195)
Outstanding loans	0	0
Balance carried forward	<u>0</u>	<u>1</u>

The funding body access grant scheme has ceased. The outstanding balance of £1,000 was paid to students in the year. QMUL acted only as paying agent: the grants and related disbursements are therefore excluded from the income and expenditure account.

NOTES TO THE FINANCIAL STATEMENTS continued

31 RELATED PARTY DISCLOSURES

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

Name	Related Party	Income	Expenditure	Debtor	Creditor
		2015	2015	Balance	Balance
		£000	£000	£000	£000
Dr Veronique Bouchet, Trustee	Breast Cancer Campaign	606	0	213	0
Professor Mark Caulfield, Member of the chairs and programme grants committee	British Heart Foundation	2,211	0	380	0
Professor Mark Caulfield, Chief Scientist	Genomics England	901	0	433	0
Professor Susan Dilly, Board Member	Human Tissue Authority	0	4	0	0
Professor Simon Gaskell, Treasurer	Universities UK	0	37	0	0
Professor Simon Gaskell, Chairman	Higher Education Statistics Agency	0	10	0	0
Professor Simon Gaskell, Chairman	HESA Services Ltd	0	30	0	0
Professor Simon Gaskell, Trustee	University of London	116	1,740	1	1
Professor Simon Gaskell, Director	} UCL Partners	333	200	232	100
Professor Richard Trembath, Director					
Professor Richard Trembath, Non Executive Director	Barts and the London NHS Trust	15,258	2,809	1,537	34
Professor Richard Trembath, Trustee	William Harvey Research Foundation	42	0	3	0
Professor Jeremy Kilburn, Trustee	Medical College of St Barts Hospital Trust	144	0	10	0
Professor Nick Lemoine, Chairman, Scientific Advisory Board	Pancreatic Cancer Research Fund	453	0	33	0
Mr Dola Osilaja, Chair	} Queen Mary Students' Union	104	1,115	848	267
Ms Elizabeth Hall					
Mr Anthony Walker, Chair	QMSU Services Ltd	89	241	700	31
Mr Anthony Walker, Member of Court of Assistants	Draper's Company	0	2	0	0
Mr Anthony Walker, Member of Court of Assistants	Draper's Charitable Fund	96	0	0	0

Details of amounts due to or from associate companies can be found in note 15 Debtors and note 16 Creditors: Amounts falling due within one year

32 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2015	2014
	£000	£000
		<i>restated</i>
QMUL entity surplus for the year before Gift Aid and gain on sales of fixed assets	19,069	17,146
Gain on sale of fixed assets and fixed asset investments	233	0
Deficit retained by subsidiary undertakings	(1,310)	(2,093)
Elimination of losses on intra-group transactions on consolidation	1,372	2,048
Total consolidated surplus	19,364	17,101

NOTES TO THE FINANCIAL STATEMENTS continued

33 CONTINGENT LIABILITY

QMUL 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 2015 the value of the draw downs including bank interest stood at £16,981,157 (2014 £16,981,157). QMUL'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 2014 the value of the government grant received stood at £7,000,000, of which a cumulative amount of £3,413,767 has been taken to the profit and loss.

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

34 PRIOR YEAR ADJUSTMENT

	Note	Consolidated income & expenditure account 2014 £000	Consolidated balance sheet 2014 £000	QMUL balance sheet 2014 £000
Income and Expenditure Account				
Surplus for year ended 31 July 2014 retained within general reserves as originally stated		16,951		
Deferred capital grant release		(20)		
Depreciation		170		
Restated surplus for the year ended 31 July 2014 retained within general reserves	32	<u>17,101</u>		
Balance Sheet				
Tangible assets at 31 July 2014 as originally stated			403,454	399,121
Land and sold or demolished buildings			(12,442)	(12,442)
Restated tangible assets at 31 July 2014	11		<u>391,012</u>	<u>386,679</u>
Deferred capital grants at 31 July 2014 as originally stated			181,847	177,506
Deferred capital grants relating to tangible assets eliminated			(970)	(970)
Restated deferred capital grants at 31 July 2014	20		<u>180,877</u>	<u>176,536</u>
Income & expenditure account including pension reserve at 31 July 2014 as originally stated			80,847	98,232
Land and sold or demolished buildings, net of deferred capital grants eliminated			(11,472)	(11,472)
Restated income and expenditure account including pension reserve at 31 July 2014			<u>69,375</u>	<u>86,760</u>
Total funds at 31 July 2014 as originally stated			307,919	320,823
Land and sold or demolished buildings			(12,442)	(12,442)
Restated total funds at 31 July 2014			<u>295,477</u>	<u>308,381</u>

COUNCIL MEMBERSHIP 2014/15

Chairman	Sir Nicholas Montagu	
Treasurer	Mr Simon Linnett	
Vice-Chairman	Ms Elizabeth Hall	
Ex Officio Members		
The President and Principal	Professor Simon Gaskell	
The President of the Students' Union 2014/15	Mr Dola Osilaja (resigned 31/07/15)	
Nominees of the President and Principal		Tenure ends
Vice Principal and Executive Dean (Humanities and Social Sciences)	Professor Morag Shiach	23/01/2016
Vice Principal, School of Medicine and Dentistry	Professor Richard Trembath	31/08/2015
Elected Members [Staff]		
Professor Nick Lemoine (resigned 30/09/2014)		
Professor Mark Caulfield (resigned 30/09/2014)		
Professor Mike Watkinson (resigned 30/09/2014)		
Professor Paul Anderson		30/09/2017
Professor Richard Ashcroft		30/09/2018
Professor Raymond Kuhn		30/09/2017
Professor Geraint Wiggins		30/09/2018
Ms Cheryl Mason		17/07/2016
External Members		
Ms Kathryn Barrow		31/12/2016
Ms Veronique Bouchet		31/12/2019
Ms Elizabeth Hall		12/12/2015
Ms Stella Hall		06/07/2019
Mr Richard Learwood		31/12/2016
Mr Simon Linnett		28/10/2017
Sir Nicholas Montagu		18/01/2018
Ms Bushra Nasir		31/08/2017
Ms Patricia Newton		31/08/2016
Mr Luke Savage		31/01/2018
Mr Anthony Walker (resigned 31/08/2014)		
Mr David Willis		31/12/2017
Mr John Yard		31/08/2017
Audit and Risk Committee Membership 2014/15		
Chairman [an external member of Council]		
Mr David Willis		
Up to four other external members of Council		
Ms Kathryn Barrow		
Ms Elizabeth Hall		
Mr Richard Learwood		
Mr Anthony Walker (resigned 31/08/2014)		
Up to two co-opted members		
Ms Melissa Tatton		