

Queen Mary University of London

Financial Statements 2016/2017



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Report by the President and Principal

Against a challenging backdrop for the sector, Queen Mary University of London (QMUL) recorded another year of success and noteworthy achievements during 2016/17, continuing the exceptional progress that the institution has seen over recent years. It is the combination of world-leading research and teaching, alongside a long-standing commitment to engaging with our locality, that characterises this great university. It is also one of the reasons that I am extremely proud and honoured to have become QMUL's new President and Principal. The achievements noted in this document and over the last eight years are the product of the hard work, dedication and excellence of our staff. They also derive from the exceptional leadership provided by my predecessor, Professor Simon Gaskell, over this period.

Students are of course at the centre of any university and QMUL's student population in 2016/17 stood at over 21,700¹, spread across undergraduate (78% of the total), and postgraduate (22%) cohorts. Our undergraduate students include over 3,300 who are taught overseas, through three major partnerships with leading universities in China. These are important initiatives and we are looking to add to these through new transnational education activities in other parts of the world. The launch of the new MBBS programme in Malta (in September 2017) is an important initial step in this regard. Overall, student numbers increased by 8% compared to 2015/16, which given the uncertain and competitive nature of the recruitment environment is testament to the attractiveness of the teaching and learning offer provided by QMUL.

As well as encouraging new students to join QMUL we also continue to focus on the quality of the experience that they have when studying with us. The quality of our teaching is high but we know that we have to work harder to ensure that our students have the support they require to complete their studies successfully and to achieve the best outcomes possible, commensurate with their talents. We also want to further improve the support we provide to our students so that, upon graduating, they are better able to secure the career and have an impact on society that is in line with their abilities and their ambitions. Considerable time and effort has therefore been invested into the development of a new approach to teaching and learning at QMUL, which has been launched this September. This will provide a personalised element to every new undergraduate's programme, with a view to broadening their horizons and experiences, and building their social and cultural capital. We also know that we must continue to invest in our estate and our infrastructure, to ensure it creates the environment that we want to provide for our students – an ongoing process that was exemplified by the opening of our new £40m Graduate Centre this year. All these steps will further strengthen the teaching and learning environment at QMUL and are priorities in their own right. Strong progress in these areas will also ensure that at the time of the next Teaching Excellence Framework exercise we will be well placed to build on the Silver Award we received this year.

In the area of knowledge creation the work of our academics continues to be outstanding. QMUL is ranked 42nd in the world based on the frequency with which research outputs by our academics are cited (THE World Rankings 2017) and the Research Excellence Framework 2014 ranked us fifth in the UK in terms of the proportion of research outputs that were world leading or internationally excellent. This clearly demonstrates that our academics are undertaking research of the highest quality and is a source of considerable pride. Our challenge is to ensure that our research activity can continue to grow whilst also retaining this high quality, by attracting more external funding and by investing in the appropriate supporting infrastructure. We must also continue to promote ourselves effectively so that our external reputation for research matches the quality evidenced by objective measures.

Like the rest of the sector, QMUL has over the last year had to operate in an unpredictable environment. This uncertainty will persist for the foreseeable future and we continue to consider in our planning the potential effects of Brexit and of policy decisions in areas such as university funding and immigration, whilst working closely with the sector to engage with Government on these issues. As we respond to these challenges, we will retain the values and characteristics that define this university. This includes our status as one of the most internationally-orientated universities in the world (within the top 25, based on the THE rankings), recognising that the entire QMUL community is enhanced by the presence of staff and students from a range of nationalities. We will also continue to act as an anchor institution for our locality and will work with partners to address the range of challenges faced by our local communities, as well as allowing the potential and opportunities that are present to be realised.

A strong financial position is of course imperative to the delivery of our ambitions. QMUL made a surplus for the year of £18.1m, an increase of £5.6m on the previous year. This is welcome but further work is now required to ensure that we have sufficient resources to deliver the investment into facilities and equipment required by our staff and students. We will also look to invest in new initiatives that will help support the delivery of our academic ambitions, where these are financially sound, aligned with our values and help to support excellence across the range of our activities.

Professor Colin Bailey, President and Principal
November 2017

¹ Student numbers are based on Full-Time Equivalent population for all levels and modes of study as at 1 December 2016, with comparisons based on the equivalent data as at 1 December 2015. Undergraduate numbers include students being taught on Joint Programmes in China.



Charitable Status and Public Benefit

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

Public benefit

QMUL was established through the Queen Mary and Westfield College Act and the granting of a Royal Charter 'to promote, for the public benefit, education, research and scholarship, to provide courses and instruction leading to degrees and other academic awards of the University of London and/or QMUL and to promote and undertake research, and to disseminate the results of such research'. The 'advancement of education', identified as a key charitable criterion in the Charities Act 2011, therefore underpins our Purpose and Values.

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

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

Access to world class learning

QMUL is committed to maintaining its proud tradition of nurturing the brightest and best talents, regardless of background. In 2016/17 we committed 30% of the additional fee income raised from tuition fees above the basic fee level to support additional outreach and retention measures.

QMUL provides a generous package of bursaries and scholarships, including the QMUL Bursary which supports undergraduate students from low income households; and a range of Excellence Scholarships. In 2016/17, 5,350 students were awarded a QMUL Bursary, 71 students received Science and Engineering Excellence Scholarships worth £213,000 and 20 students received Economics and Finance Excellence Scholarships worth £60,000. A hardship fund exists to provide assistance for students who need extra financial support to remain in higher education and provision was made within this allocation to address issues arising from changes to the Disabled Students' Allowance.

We have an excellent record in attracting talented students from a wide range of social backgrounds. QMUL performance is the best in the Russell Group when judged against two of the three main HESA widening participation performance indicators. Current data shows that Queen Mary has the highest percentage of students from NS-SEC socio-economic class 4-7 within the Russell Group institutions and is top within this Group when ranked by the number of percentage points above the location adjusted benchmark for percentage of students from state schools.

Working in partnership with schools

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

QMUL is the lead sponsor for the University Schools Trust, East London, and co-sponsors the Drapers' Multi-Academy Trust (MAT) with the Drapers' Company, a leading City Livery Company with which QMUL has a long-standing partnership. QMUL and the Drapers' Company have now approved further expansion of the Drapers' MAT to a maximum of 12 schools over the coming years.

Partnership with these schools has enabled QMUL to make major contributions to educational attainment and aspiration in the London Boroughs of Havering and Tower Hamlets, which experience high levels of unemployment and poor progression to further and higher education, as well as providing invaluable development opportunities for our staff and students. Our academics are involved in curriculum development, our students are given mentoring and tutoring opportunities and several QMUL staff members have non-executive board roles.

QMUL will further its work to raise attainment over the next couple of years in schools by developing a Teacher Degree Apprenticeship programme with a STEM focus. It will provide trainee teachers with specialist curriculum knowledge combined with school-based practice and will support the recruitment and retention of high quality teachers in STEM subjects.

Wider outreach

QMUL is committed to raising awareness of the benefits of higher education through its extensive range of outreach activities. The Widening Participation team works with young people, from 10-18 years old, from under-represented groups that are statistically less likely to consider higher education. Our work focuses on dispelling assumptions, building aspirations and providing insight and first-hand experience of university, helping students to make informed choices about higher education, and delivering a range of programmes both in-school and at QMUL. Activities include Coding Clubs and Reading Challenge for primary school students, campus visit days, subject specific summer schools, and mentoring

Charitable Status and Public Benefit (continued)

and shadowing schemes. In addition, we deliver long term programmes working with the same young people over sustained periods of time, such as our work with the Sutton Trust on Pathways to Coding and Pathways to Law, and the Bridge the Gap programme which aims to increase children's awareness of medicine and dentistry as a career pathway and support them on their journey towards these professions.

The Centre of the Cell in Whitechapel is an educational resource dedicated to inspiring curiosity and learning by connecting science to everyday life. Centre of the Cell is an online resource, a science education centre and outreach project aimed at young people, teachers, families and community group. Since opening in 2009, the Centre has welcomed over 100,000 visitors from all over the world and over one million visits to their website. However, it remains deeply rooted within its diverse local communities, with around 50 per cent of all school participants coming from a ten-mile radius of Whitechapel, with 81 per cent of Tower Hamlets primary schools and 100 per cent of Tower Hamlets secondary schools having taken part in their activities.

Student experience

We offer students a stimulating, supportive and high-quality learning experience, with teaching inspired by our world-leading research. Although London universities do not score highly, Queen Mary ranks top in London in nine subject areas for student satisfaction (National Student Survey 2017), with a number of our subject areas receiving over 90 per cent for 'overall satisfaction' including French, History, Medicine, and Physics. We recognise the need to ensure that we provide a consistently high quality student experience across all disciplines and we are now developing and implementing action plans to ensure that this occurs.

Our Student Experience, Learning Teaching and Assessment Strategy sets out our aims to ensure a high quality student experience for all students and to support students' achievements through all stages of their educational, personal and professional development. To help students achieve their potential we offer a range of services to support their learning, including drop-in services, group study sessions and individual access to our Royal Literary Fund Fellows, who are all published writers, and offer considerable flexibility within many of our degree programmes giving students the freedom to design a programme of study that reflects their individual interests.

QMUL offers students a variety of structured schemes to help build their social capital, gain work experience and enhance their CVs, ranging from internships and gaining work experience in charities to our QConsult scheme, which won the Employability Initiative category at The Guardian University Awards 2016 and gives bursary students the opportunity to gain client focused work experience through a part-time consulting project.

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

This approach to learning, teaching and employability will be further developed during the next couple of years through a new and innovative initiative designed to broaden undergraduate education and increase our students' social capital. Building on QMUL's strong record of widening participation, it aims to widen opportunities after graduation to ensure that our students achieve outcomes commensurate with their talents. This scheme will have an emphasis on increased active learning, personalisation and co-creation and will enhance the student experience and engagement and the contribution that students and graduates are able to make to society.

Research and impact

Queen Mary has made a strategic commitment to the highest quality of research. We have invested in this principle by systematically recruiting the best academics in their disciplines from around the world. The results of the most recent national assessment of research - the Research Excellence Framework (REF 2014) - have confirmed our place in the very top group of research-led universities in the UK. Overall we were ranked 9th in the UK among multi-faculty universities and 5th in the UK for the percentage of our international and world class research outputs.

QMUL researchers make major contributions in a wide range of disciplines including cancer and cardiovascular studies, intellectual property law, equality, inequalities and diversity, nanomaterials, and astronomy and QMUL lists a number of prestigious prize-winners amongst their number, including Professor Lizzie Barmes, winner of the 2017 Hart Socio-Legal Book Prize for the most outstanding piece of published socio-legal scholarship, and Professor Becky Parker, awarded The Royal Society's Kavli Education Medal 2016 for impact in the field of science and mathematics education.

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

Charitable Status and Public Benefit (continued)

Working with and for our communities

The university has embedded public engagement within its research and learning activities and is committed to creating and disseminating our research in interesting and innovative ways. The Dental Detectives project involved researchers from Queen Mary's Dental Institute and the Drama department coming together to collaborate with a small group of Year 5 school pupils to explore the relationship between young people and the dentist, whilst The Carnival of Lost Emotions used theatrical props and fancy dress to stimulate discussions about the relationship between humans, biology, history and culture and provoke people to think about emotions in new ways.

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



Strategic Review

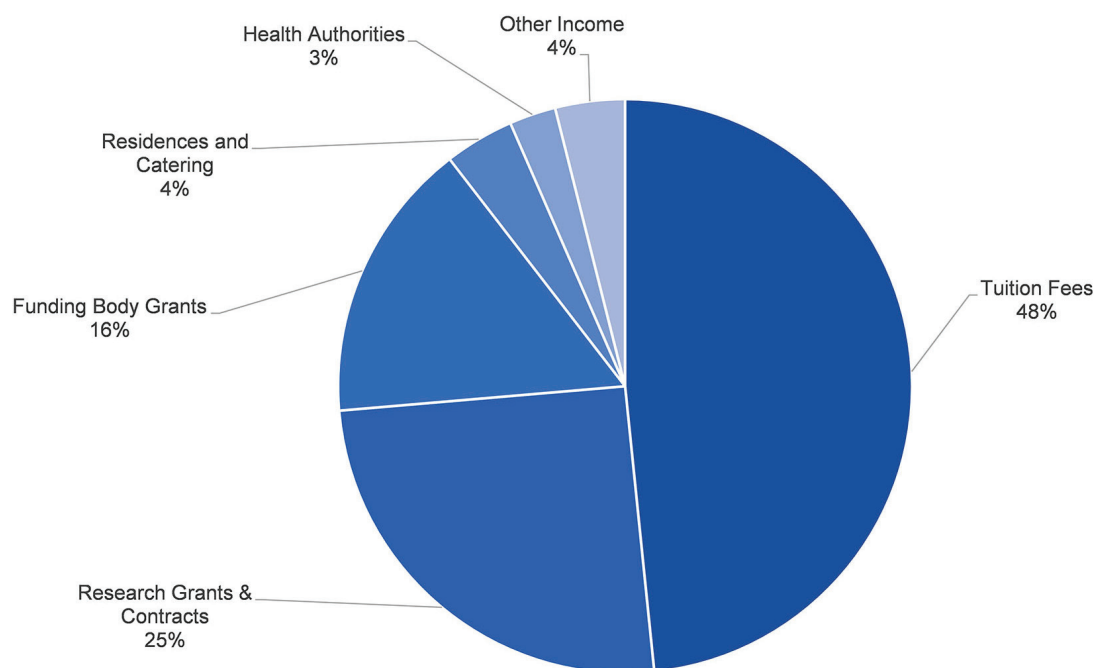
Financial Review

The surplus for the year was £18.1m (2016: £12.5m), reflecting a 6.1% increase in income and a 4.8% increase in expenditure compared to 2015/16. The university invested £39.4m in new fixed assets and software and received a total of £17.8m in specific capital grants. Cash generated from operating activities in the year was £36.3m (2016: £22.9m). Total borrowing was £100.4m (2016: £113.1m) while £97m of loan facilities remained unutilised as at 31 July 2017.

	2017 £'millions	2016 £'millions	Change %	
Financial Headlines				
Total Income	430.1	405.5	6.1%	
Total Expenditure	412.0	393.0	4.8%	
Surplus for the Year	18.1	12.5	44.5%	
Purchase of Intangible & Fixed Assets	39.4	56.3	-29.9%	
Cash and Cash Equivalents	18.1	17.9	1.2%	
Borrowings	100.4	113.1	-11.2%	
Income				
Funding Body Grants	68.2	73.8	-7.6%	
Full-time Home and EU Students	112.5	97.8	15.0%	
Full-time International Students	82.0	73.8	11.1%	
Research Grants and Contracts	108.5	101.5	6.9%	
Non-Financial				
	Numbers	Numbers	Change %	Percentage of Total 2017
Staff Numbers	3,946	3,805	3.7%	
Total Student Numbers (FTE)	21,700	20,023	8.4%	100%
Level: Undergraduate	16,860	15,466	9.0%	78%
Postgraduate	4,525	4,132	9.5%	21%
Associate	315	425	-25.9%	1%
From: Home (UK and EU)	13,764	12,491	10.2%	63%
Overseas (International)	7,936	7,532	5.4%	37%
Based: Queen Mary (London)	18,018	16,648	8.2%	83%
Overseas (incl. China)	3,373	3,130	7.8%	16%
Distance Learning	309	245	26.1%	1%

Strategic Review (continued)

Income



Sources of income 2016/17

Income grew by 6.1% to £430.1m, driven by increases in tuition fee income and research income, whilst total funding body grants fell by 7.6% mostly due to lower capital grants.

Tuition fee income grew by 12.7% compared to 2015/16 and is the largest element, representing 48.3% of total income for the year. Full-time home and EU tuition fees represent 54.1% of total tuition fees, whilst full-time international tuition fees account for 39.5%.

Tuition fee growth was achieved from both Home/EU (+10.2%) and International students (+ 5.4%). 2016/17 saw further growth in the number of undergraduates studying on joint degree programmes in China. A total of 3,332 students studied on our joint programmes, up from 3,094 in 2015/16.

Funding body grants reduced by £5.6m (7.6%) to £68.2m, mostly due to reduced capital and other specific grants. The recurrent grant reduced by £0.9m to £64.2m and there will be a further small reduction in 2017/18.

Research grant and contract income grew by 6.9% to £108.5m. This included a significant increase in research funding for capital equipment which increased by £5.0m to £13.7m. Research income excluding capital grants grew by 2.1% to £94.8m. Under accounting standard FRS102, grants without performance conditions are now recognised in the year of receipt, which may differ to the year in which expenditure is incurred. In 2016/17 £0.5m of research expenditure related to research income recognised in prior years.

Other Income which includes residences, catering and services to the NHS, remained almost unchanged at £43.5m. Investment Income at £0.5m and Donations at £1.7m have reduced compared to the prior year.

Operating Expenditure

Total expenditure increased by 4.8%, including a 27.6% increase in depreciation. Excluding depreciation, expenditure increased by 3.2%.

Total staff costs were 55.6% of income (2016: 57.2%). Salaries, pensions and social security costs (excluding movements on pension provisions, holiday pay accruals and compensation for loss of office) increased by 6.5%, reflecting a 3.7% increase in staff FTE, and the effect of the annual pay award, the apprenticeship levy and higher employer's pension contributions.

Depreciation charges in the year increased to £33.7m (2016: £26.4m). The increased charge from new assets included additions to the genomics database (£4.0m); the new Graduate Centre (£0.6m); and new IT software (£1.8m).

Interest charges increased by 3.0% to £3.7m.

Fixed Assets and Intangible Assets

The new Graduate Centre at Mile End was completed during the year and opened in January 2017. A further £5.6m of costs were capitalised during 2016/17, resulting in a total cost of £39.9m. Other investment in buildings and facilities included £4.4m for the Engineering building; £1.2m for the Library; and

Strategic Review (continued)

£1.1m for the Maths building. Additionally £10.8m was invested in the Genomics Data Centre funded by the Medical Research Council.

Cash and Loans

Cash balances are managed in conjunction with our Revolving Credit Facilities to ensure sufficient cash is held to smooth operational cash flows. Cash held at 31 July 2017 of £18.1m is in line with the previous year (2016: £17.9m).

The borrowing facilities were increased by £30m during the year, when a £80m revolving credit facility with RBS was replaced with a similar £110m facility. £97m of this facility was unutilised as at 31 July 2017.

No new finance leases were taken during the year and the closing balance for the year was £1.6m (2016: £3.5m). The existing finance leases will be fully repaid by 2020.

Pensions

The main pension schemes in which the university participates are USS, SAUL and the NHS pension scheme. Employer contributions for both USS and SAUL schemes were increased on 1 April 2016 (USS by 2% and SAUL by 3%) and hence 2016/17 is the first full year of these increased contributions. Total employer pension contributions in the year were £28.7m (2016: £25.3m). Triennial actuarial valuations of the USS and SAUL schemes as at 31 March 2017 are in progress.

Investments

Investments of £34.3m (2016: £34.6m) are held on behalf of endowed and restricted funds in a managed investment portfolio and are split in the accounts between non-current investments (£23.7m); current investments (£10.0m); and cash (£0.6m). During the year the value of the portfolio increased by £1.0m. In July 2017 £1.3m was withdrawn to meet expected expenditure from the restricted funds.

Other non-current investments comprise shareholdings in associate companies valued at £10.9m (2016: £12.9m).

Financial Prospects and Outlook

We continue to assess the potential impact of changes in our operating and financial environment (including risks relating to the generation of sufficient cash surpluses needed to fund our objectives) and to develop plans to address and mitigate the effect on QMUL. In particular, the sector continues to face uncertainty arising from Britain's withdrawal from the EU, UK migration controls and the Higher Education Funding Review.

We are extending our longer term forecasts, looking ahead 5 to 10 years, to ensure that we have sustainable operating, capital and financial plans.

Operating Review

QMUL's five-year Strategy, which was adopted in 2014/15 following extensive consultation with staff, sets out an

appropriately ambitious set of objectives for our institution across the full range of activities that would be expected of a leading university. We have reviewed our performance against these objectives and reviewed the impact of strategic risks on future progress.

The strategic objectives are allocated across six broad Strategic Aims and the following sections identify key aspects of our performance during 2016/17 from each of these areas, as well as identifying relevant additional risks, key challenges and also opportunities as we look forward. It includes an overview of the work we are undertaking to meet our objectives and offset risks.

As mentioned in the financial review, the impact of Britain's withdrawal from the EU, UK migration controls and the funding position for the sector are of significant focus in our future planning and we have recognised this in our review of strategic risks and our plans to mitigate those risks. Our strategic planning reflects our understanding of those enhanced risks, in particular the potential impact on student and staff recruitment, student experience and research funding and research outputs.

Strategic Aim 1 - People

Fundamental to our activity is the recruitment and teaching of students of the highest intrinsic talent. The total number of students in 2016/17 (FTE as of 1 December 2016) was 21,700, which was an 8.4% increase on the previous year. The number of undergraduate students was up 9.0%, while the postgraduate taught cohort grew by 9.5%. This was an impressive performance given the challenging nature of the recruitment environment and owed much to the hard work of colleagues from across the institution.

The characteristics of our student body at QMUL are different to those of most Russell Group universities, and we are rightly proud of our success in widening access for those students from less privileged backgrounds. The proportion of our undergraduate students from state schools has continued to increase, from 83.7% in 2011/12 to 88.7% in 2015/16. Likewise the proportion from the most disadvantaged social backgrounds (as defined by the ONS) increased from 32.5% to 40.6% over the same period.

Of course once students have joined us we must ensure that they have a productive and enriching experience while at our university and failure to deliver a good student experience has been identified as one of our key strategic risks. One important element of the student experience is to provide students with the support they require to complete their studies successfully. Currently we compare unfavourably with the Russell Group median in terms of the number of first year students who do not continue into their second year of study and we must do more to enable our students to progress successfully through their studies. We also want our graduates to secure employment and have an impact on society that is commensurate with their talents and ambitions. The latest data showed a slight decline (to 91%) in the proportion of our graduates in employment or

Strategic Review (continued)

further study six months after finishing their undergraduate programmes.

To improve the quality of our students' experience, we have launched an ambitious new approach to teaching and learning at QMUL (as highlighted in the President and Principal's report), which will provide a personalised element to every new undergraduate's programme, with a view to broadening their horizons and experiences, and building their social and cultural capital. This is a long-term investment into supporting our students in their employment prospects (and also more broadly in terms of their development), which will build our nationally-recognised schemes to give students access to real-world project and consultancy opportunities.

It is our staff whose excellence and dedication we rely on to educate and support our students, to conduct our research, and to drive innovation, impact and public engagement. We will continue to give our people the support they require to deliver the high standards that we are looking for across all of these activities. This commitment will take many forms, with one being a focus on promoting equality of opportunity amongst staff. We were delighted to receive an Athena SWAN Silver Award at institutional level in 2017, in recognition of our progress on gender equality as it relates to representation, progression and the working environment for female staff. QMUL is one of only 12 universities to hold an award at this level (Equality Challenge Unit).

Our alumni are another key component of the QMUL community and make significant contributions to supporting our academic work and the development and progress of our students. We were pleased to record another increase in the proportion of alumni engaged in providing support to the achievement of our objectives but want to significantly expand our ability to engage with this important group of supporters.

Strategic Aim 2 - Research

QMUL is now firmly established as a leading research intensive university in both the UK and globally, a status that was clearly underlined by the outstanding outcomes of the REF2014 exercise, which placed us 9th in the UK amongst multi-faculty institutions for research quality. This achievement and our continued strength in terms of our research outputs is testament to the hard work and talents of our academics, and of colleagues in Professional Services functions who support them.

Our standing in the THE world rankings has declined slightly but that is in line with the rest of the UK sector. However at 14th, our position amongst UK universities within these tables remains strong. The objective measures that underpin these international rankings are very strong for QMUL - for example (as noted in the Report by the President and Principal) we are placed 42nd in the world on the frequency with which work by our academics is cited. We know, however, that our reputation (which has a major influence on the rankings) lags behind these objective measures of our excellence. We will be

focussing on addressing this, which will include work to improve how we market and promote QMUL and also to ensure that we have a more co-ordinated and better understood approach to institutional branding.

We are continuing to develop our strategy to sustain the outstanding quality of our knowledge creation activities. Our challenge is to ensure that our research activity can continue to grow whilst also retaining this high quality, by attracting more external funding and by investing in the appropriate supporting infrastructure. In support of this, there has been a focus on improving our grant success rates, which have increased by 9% between 2011/12 and 2016/17. We have also been investing at much higher levels in research equipment: the equivalent of 13% of our total research income in 2016/17 was expended on capital assets. Loss of EU funding is recognised as a significant risk to meeting our research objectives and we are reviewing our research income generation plans accordingly.

Performance in the next REF exercise in 2021 is a key strategic opportunity as well as risk, and we are working on our preparations to ensure that we are as well placed as possible to repeat the excellent outcome achieved in 2014.

Strategic Aim 3 - Education

As noted above, the university has launched and is continuing to enhance its new approach to teaching and learning. This will allow all our undergraduate students to continue with a focus on disciplinary experience, complemented by a personalised programme to broaden their perspectives, improve networking and communication skills, and provide experience outside their subject area and outside the university. Increasing the proportion of undergraduate students who take at least one module outside of their home School was an objective in our strategy and we had increased this to almost one-quarter of students by 2016/17. This will now be accelerated by our new teaching and learning approach, which will be transformative for our students and will enhance the attractiveness of QMUL as a place to study.

Student satisfaction surveys are an important measure of how our students view their experience at QMUL. The latest National Student Survey results recorded an overall satisfaction level of 83%, which placed us eighth out of the 21 Higher Education Providers in London that met the publication threshold. Improving satisfaction levels will remain a focus for attention.

The physical environment that we provide is an important aspect of the experience that students have while studying with us. Our strategy therefore includes objectives such as ensuring that 95% of our teaching rooms meet the standards agreed with our students and staff. The audit in 2016/17 showed 87% of rooms meeting the standard, an increase of 13% over 2015/16, but further investment is required to meet our target of 95%. The opening in 2017 of the new Graduate Centre at Mile End has contributed approximately 8,000 square metres of new high quality space to our estate, including much needed informal study spaces for our students.

Strategic Review (continued)

We are also looking to expand our delivery via other modes, in order to increase the number of students benefitting from our education, without necessarily adding to the pressure on our estate. As part of this, in 2016/17 we completed an agreement with an external partner to support us in significantly expanding our online learning provision. The first programmes under this new initiative are being launched in 2017/18.

Strategic Aim 4 - International

We are proud to be a highly international organisation, with staff and students from over 160 nationalities, and we will continue to recognise and promote the significant benefits that overseas members of the QMUL community bring to our university, to the local community and to the UK as a whole. Despite the challenging backdrop provided by Brexit and immigration policy more broadly, we were pleased to record another increase (of 11% compared to 2015/16) in the number of EU and other international students studying with us in London.

Our transnational education activities continue to develop strongly, based primarily on our three joint programmes with our high quality partners in China (including a new programme based in Xi'an that was launched in September 2016). These programmes, which are taught jointly by academics from QMUL and our partner institutions, recruit very high quality students, such is the demand generated by the prospect of holding degrees from both a leading UK and a leading Chinese university. Accordingly, the headcount of students we teach overseas, including distance learners, had reached 3,930 by October 2017, up 87% since 2011/12. The initiation of a new MBBS programme in Malta in 2017/18 will help to diversify our transnational education portfolio.

Strategic Aim 5 - Impact and Public Engagement

Our national leadership in the field of public engagement was confirmed by our award of a National Coordinating Centre for Public Engagement 'Watermark', in recognition of the embedded nature of the approach at QMUL and the centrality of engagement to our academic endeavour. We were the first UK university to be awarded a Watermark and the frequency with which institutions (from the UK and overseas) visit us to discuss engagement is testament to the fact that we have a considerable national and international profile in this area.

Further to our aim to develop the social capital of our students, the strategy committed us to increase the number of students accessing entrepreneur support services by 100% by 2018/19. We have already exceeded this target and will continue to increase the available support, particularly via partnerships with external partners and as part of our new approach to teaching and learning.

Strategic Aim 6 - Financial Strength

Our surplus as a proportion of total income increased to 4.2% in 2016/17. We retain a focus on generating sufficient cash for investment into our estate and our infrastructure (notably into systems and research equipment), and to allow us to take forward key initiatives. This will form a key element of the planning and budget-setting round in 2017/18.

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 philanthropic income generated by our Development Directorate increased by 6% in 2016/17, to a total of £12.3m. We will continue to work on enhancing these capabilities.



Statement of Corporate Governance and Internal Control

Purpose of this statement

The following statement is provided to enable readers of the Financial Statements of the Group, which comprises the university and its subsidiaries, to obtain a better understanding of the governance, management and legal structure of the university.

QMUL is committed to conducting its business in accordance with the seven principles identified by the Committee on Standards in Public Life. QMUL's governing body is guided, 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.

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

Constitution and Governing Body

Queen Mary University of London was established by Act of Parliament and granting of a Royal Charter in 1989 following the merger of Queen Mary College (incorporated by Royal Charter in 1934) and Westfield College (incorporated by Royal Charter in 1933). The Charter has been revised on a number of occasions: 1995 to reflect the merger of Queen Mary with the Barts and the London School of Medicine and Dentistry; 2008, following 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.

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

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

The Chair of Council is required to be elected from among the external members of the Council. There is provision for the election of members of the academic staff, and representatives of other staff groups, to Council and for a Students' Union representative. No members of the Council

receive remuneration for their role, apart from staff members and the QMSU executive officer, solely in the context of their employment.

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

In accordance with the CUC Higher Education Code of Governance, Council keeps its effectiveness under regular review. A full effectiveness review of Council was undertaken during 2014/15. It concluded that the university may have a high level of confidence in the effectiveness of Council. Its recommendations have now been implemented; the next full review will take place in 2019/20. In addition, members' opinions on the effectiveness of Council and its committees are sought regularly, whether through an annual survey designed for this purpose, or through individual meetings held with the Chair.

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

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

The Role of the President and Principal

The President and Principal is appointed by the Council as chief academic and accounting officer to head 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),

Statement of Corporate Governance and Internal Control (continued)

Vice Principal (Public Engagement and Student Enterprise), Vice Principal (International), Chief Operating Officer, Chief Strategy Officer and Finance Director.

Committees of Council

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

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

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

- recommends to Council a finance strategy;
- recommends to Council the annual budgets and financial forecasts;
- monitors the financial situation of QMUL, both capital and revenue;
- considers and monitors the annual capital programme and proposals for major capital projects;
- considers proposals affecting major QMUL assets, in particular the estate;
- 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;
- reviews the effectiveness of QMUL's systems for submission of regulatory returns, financial control, value for money, data assurance and responding to alleged financial irregularities;

- reviews the effectiveness of mechanisms operated by the Senior Executive for identifying, assessing and mitigating risks;
- oversees QMUL's Public Interest Disclosure (whistle-blowing) policy and receives regular reports from the Senior Executive on cases.

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

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

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

The Remuneration Committee is chaired by the Chair of Council and has three other lay members; the President and Principal is also a member of the Committee. The Director of Human Resources attends meetings in an advisory capacity. The President and Principal is not present for the discussion of his own remuneration. The Committee meets at least twice each year.

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

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

Statement of Corporate Governance and Internal Control (continued)

Equality and Diversity

QMUL is fully committed to fulfilling its duties under the Equality Act 2010 and responsibilities under the Public Sector Equality Duty and has approved the Equality, Diversity and Inclusion (EDI) Strategy & Objectives for 2016-2020. These will support the university in complying with the Equality Act and the Public Sector Equality Duty. A programme of mandatory EDI training was introduced during 2016/17, which includes Unconscious Bias training.

The university is proud that all STEMM departments hold either a Bronze or Silver Athena SWAN award to demonstrate their commitment to gender equality. During 2016/17, the School of Politics and International Relations achieved bronze in the latest round of the Athena SWAN Charter awards. QMUL was awarded an institutional silver award for its achievements in April 2017.

Internal Control and Management of Risk

The Council, as the governing body of QMUL, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Ordinances and the 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. It is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively.

This process was in place for the year ended 31 July 2017 and up to the date of the approval of the Financial Statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Council considers the plans and strategic direction of the university on an annual basis.
- The Audit and Risk Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives periodic reports from the Chairman of the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Risk Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by the categorisation of risks and the maintenance of an institution-wide strategic risk register.
- 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 an annual internal audit plan is based on this analysis. The Audit and Risk Committee approves the internal audit plan.
- KPMG submits regular reports to the Audit and Risk Committee that include an independent opinion on the adequacy and effectiveness of the university's system of internal control, based on work undertaken in accordance with its approved audit plan, together with recommendations for improvement.
- 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 termly and provides regular reports on the monitoring of the strategic risk register to the Senior Executive and the Audit and Risk Committee.
- Alongside the Strategic Risk Register, each Faculty, School and Professional Service department maintains its own risk register. The Strategic Risk Management Group reviews these local registers on a cyclical basis for monitoring purposes and to ensure they are aligned with the Strategic Risk Register.
- Each year, QMUL conducts in-depth reviews of particular risk areas, themes or emerging issues. These assessments explore risk identification and monitoring, and links to the Strategic Risk Register. During the year under review, in-depth reviews were conducted in the areas of cyber security and social media.
- A system of key performance and risk indicators has been developed to enable the Council to monitor progress towards the achievement of strategic objectives.
- The Audit and Risk Committee receives an annual report on legal compliance. QMUL maintains a legal compliance register, updated during 2016/17 following the commission of an independent review of the coverage of the register and to advise on forthcoming legislation in the context of the QMUL Strategy 2014-19. Based on the information received, the Committee was satisfied that QMUL has appropriate processes in place to meet its legal requirements and obligations.

Statement of Corporate Governance and Internal Control (continued)

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2017 was informed by the Audit and Risk Committee, the work of the internal auditors and the executive managers within the university who have responsibility for the development and maintenance of the internal control framework.

Responsibilities of the Council

The Council is responsible for the appointment of the external auditors and approval of the Financial Statements which are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the memorandum of assurance and accountability between 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.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that 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.

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

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

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability with HEFCE 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, designed to discharge these responsibilities include the following:

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

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

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



G.E. FOGG BUILDING

Independent Auditor's Report to the Council of Queen Mary University of London

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2017 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and group cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements of Queen Mary University of London (the 'university') and its subsidiaries (the 'group') which comprise:

- the group and university statement of comprehensive income and expenditure;
- the group and university balance sheet;
- the group and university statement of changes in reserves;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30.

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

Basis for opinion

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

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Council

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

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

Independent Auditor's Report to the Council of Queen Mary University of London

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to Council in accordance with the charter and statutes of the university and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE administered by the university for specific purposes during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
1 December 2017



Consolidated Statement of Comprehensive Income and Expenditure

Year ended 31 July 2017

	Notes	Year ended 31 July 2017 Consolidated £'000	QMUL £'000	Year ended 31 July 2016 Consolidated £'000	QMUL £'000
Income					
Tuition fees and education contracts	2	207,703	207,703	184,277	184,277
Funding body grants	3	68,191	68,191	73,762	73,762
Research grants and contracts	4	108,486	107,643	101,483	101,049
Other income	5	43,504	42,588	42,917	41,643
Investment income	6	489	1,180	732	1,420
Total income before endowments and donations		428,373	427,305	403,171	402,151
Donations and endowments	7	1,750	1,449	2,322	2,165
Total income		430,123	428,754	405,493	404,316
Expenditure					
Staff costs	8	239,220	238,528	232,062	231,667
Other operating expenses		134,425	134,464	131,000	130,978
Depreciation and amortisation	12,13	33,653	32,935	26,373	25,581
Interest and other finance costs	9	3,690	2,795	3,584	2,719
Total expenditure	10	410,988	408,722	393,019	390,945
Surplus before other gains/losses and share of operating surplus/(deficit) of associates		19,135	20,032	12,474	13,371
Share of operating (deficit) in associates		(6)	-	-	-
(Loss)/gain on investments		(655)	(424)	429	727
Surplus before tax		18,474	19,608	12,903	14,098
Taxation	11	(387)	(380)	(389)	(386)
Surplus for the year		18,087	19,228	12,514	13,712
Gain/(loss) on associates	15	41	-	(12)	-
Actuarial gain/(loss) in respect of pension schemes	29	97	97	(462)	(462)
Total comprehensive income for the year		18,225	19,325	12,040	13,250
Represented by:					
Endowment comprehensive income for the year		440	440	(96)	(96)
Restricted comprehensive income for the year		26	(211)	(414)	(435)
Unrestricted comprehensive income for the year		17,759	19,096	12,550	13,781
Attributable to QMUL		18,225	19,325	12,040	13,250
Attributable to the non-controlling interest		-	-	-	-
		18,225	19,325	12,040	13,250
Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
QMUL		18,087	19,228	12,514	13,712

All items of income and expenditure relate to continuing activities

Consolidated and QMUL Statement of Changes in Reserves

Year ended 31 July 2017

	Income and expenditure account			Total excluding non-controlling interest	Non-controlling interest	Total
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated						
As at 1 August 2015	30,363	5,137	402,693	438,193	(5)	438,188
Surplus or (deficit) from the statement of comprehensive income and expenditure	(96)	(414)	13,036	12,526	-	12,526
Other comprehensive income	-	-	(486)	(486)	-	(486)
Total comprehensive income for the year	(96)	(414)	12,550	12,040	-	12,040
As at 1 August 2016	30,267	4,723	415,243	450,233	(5)	450,228
Transfers between endowments, restricted and general reserves	3,559	(1,814)	(1,745)	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	440	26	17,621	18,087	-	18,087
Other comprehensive income	-	-	138	138	-	138
Total comprehensive income for the year	3,999	(1,788)	16,014	18,225	-	18,225
As at 31 July 2017	34,266	2,935	431,257	468,458	(5)	468,453

Consolidated and QMUL Statement of Changes in Reserves (continued)

Year ended 31 July 2017

	Income and expenditure account			Total excluding non-controlling interest	Non-controlling interest	Total
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000	£'000
QMUL						
As at 1 August 2015	30,348	4,878	404,195	439,421	-	439,421
Surplus or (deficit) from the statement of comprehensive income and expenditure	(96)	(435)	14,243	13,712	-	13,712
Other comprehensive income	-	-	(462)	(462)	-	(462)
Total comprehensive income for the year	(96)	(435)	13,781	13,250	-	13,250
As at 1 August 2016	30,252	4,443	417,976	452,671	-	452,671
Transfers between endowments, restricted and general reserves	3,559	(1,814)	(1,745)	-	-	-
Surplus or (deficit) from the statement of comprehensive income and expenditure	440	(211)	18,999	19,228	-	19,228
Other comprehensive income	-	-	97	97	-	97
Total comprehensive income for the year	3,999	(2,025)	17,351	19,325	-	19,325
As at 31 July 2017	34,251	2,418	435,327	471,996	-	471,996

Consolidated and QMUL Balance Sheet

As at 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	QMUL £'000	Consolidated £'000	QMUL £'000
Non-current assets					
Intangible assets	12	11,341	11,341	13,631	13,631
Fixed assets	13	593,268	580,787	585,188	572,027
Investments	14	36,448	39,659	37,375	40,355
Investments in associates	15	94	1	58	1
		641,151	631,788	636,252	626,014
Current assets					
Stock		175	175	205	205
Trade and other receivables	16	53,571	53,929	51,780	51,835
Investments	17	10,022	10,022	10,657	10,657
Cash and cash equivalents	24	18,085	15,888	17,876	15,369
		81,853	80,014	80,518	78,066
Less: Creditors: amounts falling due within one year	18	(106,350)	(108,586)	(124,808)	(126,721)
Net current liabilities		(24,497)	(28,572)	(44,290)	(48,655)
Total assets less current liabilities		616,654	603,216	591,962	577,359
Creditors: amounts falling due after more than one year	19	(108,712)	(91,731)	(98,190)	(81,144)
Provisions					
Pension provisions	20	(39,489)	(39,489)	(43,519)	(43,519)
Other provisions	21	-	-	(25)	(25)
Total net assets		468,453	471,996	450,228	452,671
Restricted Reserves					
Income and expenditure reserve - endowment reserve	22	34,266	34,251	30,267	30,252
Income and expenditure reserve - restricted reserve	23	2,935	2,418	4,723	4,443
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		431,257	435,327	415,243	417,976
		468,458	471,996	450,233	452,671
Non-controlling interest		(5)	-	(5)	-
Total Reserves		468,453	471,996	450,228	452,671

The financial statements were approved by Council on 30 November 2017 and were signed on its behalf on that date by:

Lord Clement-Jones CBE, Chair

Professor C Bailey, President and Principal



Consolidated Cash Flow

Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		18,087	12,514
Adjustment for non-cash items			
Depreciation	13	29,761	24,233
Amortisation of intangible assets	12	3,892	2,140
Loss/(gain) on investments		655	(429)
Decrease in stock		30	27
(Increase) in debtors	16	(1,791)	(6,982)
Increase in creditors	18,19	7,584	3,395
(Decrease)/increase in pension provision	20	(4,030)	4,793
(Decrease)/increase in other provisions	21	(25)	25
Actuarial gain/(loss) in respect of pension schemes		97	(462)
Receipt of donated equipment		(110)	-
Share of operating deficit in associates		6	-
Adjustment for investing or financing activities			
Investment income	6	(489)	(732)
Interest payable on loans and finance leases	9	2,944	2,562
Endowment income	7	(210)	(47)
Capital grant income		(20,127)	(18,083)
Net cash inflow from operating activities		36,274	22,954
Cash flows from investing activities			
Capital grants receipts		17,841	20,369
Disposal of non-current asset investments		88	1,018
Withdrawal of deposits		10,560	7,857
Investment income		489	732
Payments made to acquire fixed assets		(37,731)	(50,017)
Payments made to acquire intangible assets		(1,602)	(6,312)
New deposits		(9,742)	(6,959)
		(20,097)	(33,312)
Cash flows from financing activities			
Loan interest		(3,439)	(3,386)
Interest element of finance lease net of rebate		(45)	278
Endowment cash received		210	47
New unsecured loans		13,000	38,000
Repayments of amounts borrowed		(23,873)	(849)
Capital element of finance lease payments		(1,821)	(21,194)
		(15,968)	12,896
Increase in cash and cash equivalents in the year		209	2,538
Cash and cash equivalents at beginning of the year		17,876	15,338
Cash and cash equivalents at end of the year		18,085	17,876
	24	209	2,538



Notes to the Financial Statements

1. Accounting Policies

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include QMUL and all its subsidiaries for the financial year to 31 July 2017. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as QMUL does not exert control or dominant influence over policy decisions. Associated companies and joint ventures are accounted for using the equity method.

Income recognition

- i. Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.
- ii. Fee income is credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a prompt payment discount, a fee waiver or scholarships which reduce the tuition fee payable, the net amount is taken to income. Where bursaries and student support payments are customarily made, income receivable is stated net of the payments. All other bursaries and student support payments are accounted for gross as expenditure and not deducted from income.
- iii. Grant funding including funding body grants, research and other grants from government and non-government sources are recognised as income when QMUL is entitled to it and the performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.
- iv. Donations and endowments are recognised in income when QMUL is entitled to the funds. Income from donations with donor imposed restrictions is retained within the restricted or endowment reserve until such time that it is utilised in line with the restrictions when the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when QMUL is entitled to the funds and retained within unrestricted reserves.

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

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

Employment benefits

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

Accounting for retirement benefits

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

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

Hospital and St Bartholomew's Hospital medical colleges.

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

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

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

Finance Leases

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

Operating leases

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

Foreign currency

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

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

Intangible assets

Intangible assets are stated at cost or at impaired value. Where it is considered that there has been any impairment in the value of an asset, the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the Consolidated Statement of Comprehensive Income and Expenditure.

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

Fixed assets

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

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

- i. Buildings are depreciated over 50 years. Depreciation on leased buildings is calculated over the life of the lease if the lease is less than 50 years. No provision for depreciation is made against the value of land.
- ii. Assets in the course of construction are stated at cost and are not depreciated until they are transferred to the completed asset class when ready for use.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

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

Investments

- i. Investments in associates and subsidiaries are shown at the lower of cost or net realisable value.
- ii. Associate undertakings are shown at QMUL's attributable share of net assets in the Consolidated Balance Sheet.
- iii. Listed investments held for the benefit of the endowment portfolio are shown at market valuation with

movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

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

Stock

Stock is valued on a first in first out basis and stated at the lower of cost and net realisable value. Included in the valuation are stocks in the refectories and central and departmental stores. An annual review is undertaken of slow moving, obsolete and defective stock and the difference between the carrying value and the higher of its net realisable value or value in use is expensed in the Consolidated Statement of Comprehensive Income and Expenditure.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments, typically with a maturity of up to 3 months from the initial investment, that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions

Provisions are recognised in the financial statements when:

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

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

Contingent Liabilities

A contingent liability arises from a past event that gives QMUL a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of QMUL or where it is not probable that an outflow of resources will be required or the amount of

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Accounting for Intercompany Loans

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

Accounting for Jointly Controlled Operations

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

Taxation

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 Sections 478-488 CTA 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. 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 or outside the scope activities under VAT legislation. Irrecoverable VAT is included in the cost of the goods or service.

Reserves

Reserves are classified as restricted or unrestricted.

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

Accounting Estimates and Judgments

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

- i. Pension provision assumptions

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

members of the respective pension schemes in future years. These are both consistent with our internal financial forecasting assumptions.

- ii. Estimation of doubtful debts

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

Notes to the Financial Statements (continued)

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	QMUL	Consolidated	QMUL
	£'000	£'000	£'000	£'000
2. Tuition fees and education contracts				
Full-time home and EU students	112,453	112,453	97,813	97,813
Full-time international students	81,988	81,988	73,784	73,784
Part-time students	4,958	4,958	4,313	4,313
Short course fees	2,197	2,197	1,977	1,977
Other fees and support grants	898	898	1,193	1,193
Education contracts	5,209	5,209	5,197	5,197
	207,703	207,703	184,277	184,277
3. Funding body grants				
Recurrent grant				
Higher Education Funding Council	59,141	59,141	59,927	59,927
Capital grant	5,097	5,097	5,361	5,361
Specific grants				
Higher Education Innovation Fund	3,103	3,103	3,200	3,200
Capital grant	680	680	4,088	4,088
Other	170	170	1,186	1,186
	68,191	68,191	73,762	73,762
4. Research grants and contracts				
Research councils	37,425	37,241	36,698	36,661
Research charities	30,064	30,064	25,661	25,661
Government (UK and overseas)	21,233	21,060	21,746	21,619
Industry and commerce	14,480	14,480	12,159	12,159
Other	5,284	4,798	5,219	4,949
	108,486	107,643	101,483	101,049
Included within Research grants and contracts above are capital grants of:	13,682	13,682	8,635	8,635
5. Other income				
Residences, catering and conferences	16,863	16,863	16,291	16,291
Other services rendered	7,002	7,475	8,945	8,901
Health Authorities	11,256	11,256	11,586	11,586
Other revenue income	7,859	6,470	6,095	4,865
Other capital income	524	524	-	-
	43,504	42,588	42,917	41,643

Notes to the Financial Statements (continued)

	Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	QMUL £'000	Consolidated £'000	QMUL £'000
6. Investment income					
Investment income on expendable endowments	22	107	107	56	56
Investment income on permanent endowments	22	276	276	199	199
Investment income on restricted reserves	23	-	-	22	22
Other investment income		65	756	240	928
Net return on pension scheme	29	41	41	215	215
		489	1,180	732	1,420

7. Donations and endowments

New endowments	22	210	210	47	47
Donations with restrictions	23	1,047	750	1,060	903
Unrestricted donations		493	489	1,215	1,215
		1,750	1,449	2,322	2,165
Included within donations above are capital donations of:		254	254	223	223

8. Staff costs

Salaries	193,337	192,759	185,013	184,658
Social security costs	20,130	20,017	16,971	16,947
Movement in holiday pay accrual	346	346	729	729
Movement on USS provision	(3,026)	(3,026)	1,330	1,330
Movement on SAUL provision	(1,579)	(1,579)	2,165	2,165
Other pension costs	28,663	28,662	25,251	25,235
Compensation for loss of office	1,349	1,349	603	603
Total staff costs	239,220	238,528	232,062	231,667

Emoluments of the President and Principal:	£'000	£'000
Salary	275	275
Benefits in kind	10	9
	285	284

The emoluments of the President and Principal are shown on the same basis as for higher paid staff. From 1 October 2013 to 31 March 2016 QMUL did not pay any pension contributions to USS for the President and Principal. From 1 April 2016 QMUL has paid USS pension contributions at 2.1% for the President and Principal and these amount to £5,783 (2016: £1,298).

Notes to the Financial Statements (continued)

8. Staff costs (continued)

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. All shown before any salary sacrifice:

	2017	2016
	No.	No.
£100,001 - £110,000	29	28
£110,001 - £120,000	22	13
£120,001 - £130,000	15	18
£130,001 - £140,000	8	10
£140,001 - £150,000	18	10
£150,001 - £160,000	11	15
£160,001 - £170,000	5	10
£170,001 - £180,000	5	6
£180,001 - £190,000	3	3
£190,001 - £200,000	3	2
£200,001 - £210,000	4	2
£210,001 - £220,000	1	2
£220,001 - £230,000	0	2
£230,001 - £240,000	0	1
£240,001 - £250,000	2	2
£250,001 - £260,000	1	1
£260,001 - £270,000	1	0
£270,001 - £280,000	0	0
£280,001 - £290,000	0	0
£290,001 - £300,000	0	0
£300,001 - £310,000	1	0
	129	125

	2017	2016
	No.	No.
Average staff numbers by major category :		
Academic, education and research	1,884	1,820
Professional services	1,545	1,458
Technical services	263	260
Operational services	253	267
	3,946	3,805

No compensation for loss of office was made to higher-paid staff in the year to 31 July 2017 (2016: £nil).

Key management personnel

	£'000	£'000
Key management personnel compensation	1,782	1,543

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of QMUL. Staff costs include any compensation paid to key management personnel.

Trustees (Council Members)

The Trustees neither received nor waived any emoluments during the year (2016: £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 2017 9 Trustees (2016: 9) were reimbursed a total of £857 (2016: £1,235).

Notes to the Financial Statements (continued)

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	QMUL	Consolidated	QMUL
	£'000	£'000	£'000	£'000
9. Interest and other finance costs				
Loan interest	2,899	2,004	2,840	1,943
Finance lease interest net of rebate	45	45	(278)	(278)
Exchange differences	-	-	(32)	-
Net charge on pension scheme	746	746	1,051	1,051
Other	-	-	3	3
	3,690	2,795	3,584	2,719

10. Analysis of total expenditure by activity

Academic and related expenditure	208,850	208,218	200,044	199,764
Administration and central services	52,807	52,804	53,074	53,071
Premises	35,622	35,601	35,662	34,765
Residences, catering and conferences	12,663	12,663	11,939	11,939
Research grants and contracts	91,260	90,743	82,761	82,224
Other expenses	9,786	8,693	9,539	9,182
	410,988	408,722	393,019	390,945

Other operating expenses include:

External auditor's remuneration in respect of audit services	141	164
External auditor's remuneration in respect of non-audit services	12	-
Operating lease rentals		
Land and buildings	2,376	1,472
Other	2,454	2,633

11. Taxation

Current tax

Corporate income tax on the profits of China operations	387	380	218	215
QMUL Research and Development Tax credits	-	-	171	171
Current tax expense	387	380	389	386

Deferred tax

	-	-	-	-
Total tax expense	387	380	389	386

Notes to the Financial Statements (continued)

12. Intangible Assets

	Software £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated and QMUL			
Cost and valuation			
As at 1 August 2016	21,664	94	21,758
Additions	-	1,602	1,602
Transfers	891	(891)	-
Disposals	-	-	-
As at 31 July 2017	22,555	805	23,360
Amortisation			
As at 1 August 2016	8,127	-	8,127
Charge for the year	3,892	-	3,892
Disposals	-	-	-
As at 31 July 2017	12,019	-	12,019
Net book value			
As at 31 July 2017	10,536	805	11,341
As at 31 July 2016	13,537	94	13,631

Notes to the Financial Statements (continued)

13. Fixed Assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Consolidated						
Cost or valuation						
As at 1 August 2016	449,669	47,932	32,432	82,255	36,972	649,260
Additions	-	-	-	38	37,803	37,841
Transfers	39,368	21	2,777	22,799	(64,965)	-
As at 31 July 2017	489,037	47,953	35,209	105,092	9,810	687,101
Depreciation						
As at 1 August 2016	10,722	4,339	7,521	41,490	-	64,072
Charge for the year	6,424	1,924	3,444	17,969	-	29,761
As at 31 July 2017	17,146	6,263	10,965	59,459	-	93,833
Net book value						
As at 31 July 2017	471,891	41,690	24,244	45,633	9,810	593,268
As at 31 July 2016	438,947	43,593	24,911	40,765	36,972	585,188
QMUL						
Cost or valuation						
As at 1 August 2016	442,289	47,932	26,337	79,510	36,972	633,040
Additions	-	-	-	-	37,803	37,803
Transfers	39,368	21	2,777	22,799	(64,965)	-
As at 31 July 2017	481,657	47,953	29,114	102,309	9,810	670,843
Depreciation						
As at 1 August 2016	10,427	4,339	5,924	40,323	-	61,013
Charge for the year	6,277	1,924	3,075	17,767	-	29,043
As at 31 July 2017	16,704	6,263	8,999	58,090	-	90,056
Net book value						
As at 31 July 2017	464,953	41,690	20,115	44,219	9,810	580,787
As at 31 July 2016	431,862	43,593	20,413	39,187	36,972	572,027
Leased assets included above:						
Net Book Value:						
As at 31 July 2017	-	41,690	-	1,506	-	43,196
As at 31 July 2016	-	43,593	-	3,558	-	47,151

A full valuation of all QMUL's land and buildings was carried out at 31 July 2014 by JLL.

Freehold land and buildings at 31 July 2017 includes land with a cost of £280,980,000 (2016: £280,980,000) which is not depreciated.

Notes to the Financial Statements (continued)

13. Fixed Assets (continued)

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

	31 July 2017	31 July 2016
	£'000	£'000
Cost	8,816	8,816
Accumulated depreciation	(5,258)	(3,205)
Charge for year	(2,052)	(2,052)
Net book value	<u>1,506</u>	<u>3,559</u>

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.

14. Non-Current Investments

	Subsidiary companies £'000	Other Investments £'000	Shared Equity Property £'000	Total £'000
Consolidated				
As at 1 August 2016	-	35,468	1,907	37,375
Additions	-	172	-	172
Disposals	-	-	(88)	(88)
Change in Fair Value	-	(1,011)	-	(1,011)
As at 31 July 2017	-	34,629	1,819	36,448
QMUL				
As at 1 August 2016	3,516	34,932	1,907	40,355
Additions	-	172	-	172
Disposals	-	-	(88)	(88)
Change in Fair Value	-	(780)	-	(780)
As at 31 July 2017	3,516	34,324	1,819	39,659

During the year, QMUL sold its share of an investment in 1 shared equity property for £87,710.

Other non-current investments consist of:

	Consolidated £'000	QMUL £'000
hVIVO plc	1,742	1,571
Actual Experience plc	7,703	7,569
Biomoti Limited	90	90
Landr Audio Inc	1,063	1,063
Stealthyx Therapeutics Limited	298	298
CVCP Properties	53	53
Managed Investment Portfolio for Endowment Funds:		
- Fixed interest stocks	10,637	10,637
- Equities	10,121	10,121
- Options, futures and illiquid funds	2,922	2,922
	<u>34,629</u>	<u>34,324</u>

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

Notes to the Financial Statements (continued)

15. Investment in associates

	Consolidated		QMUL	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
As at 1 August 2016	58	70	1	1
Share of (deficit)	(6)	-	-	-
Change in reserves	42	(12)	-	-
As at 31 July 2017	94	58	1	1

QMUL holds directly the following shares in associate companies:

	Country of Registration	Equity Holding	Proportion held	Principal Activity
Biomin Technologies Limited	England	Ordinary	27.70%	Dental materials
Chromosol Limited	England	Ordinary	38.00%	Optical amplifier technology
Degrasense Limited	England	Ordinary	47.70%	Industrial biosensors
Emdot Limited	England	Ordinary	27.60%	Inkjet printing technology
Touchkeys Instruments Ltd	England	Ordinary	31.80%	Musical instruments
Varydose Limited	England	Ordinary	25.00%	Pharmaceutical dispensing
Vision Semantics Limited	England	Ordinary	37.00%	CCTV analytics
Warblr Limited	England	Ordinary	33.30%	Software development
William Harvey Research Limited	England	Ordinary	40.00%	Research

QMUL holds indirectly the following shares in associate companies:

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

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

Notes to the Financial Statements (continued)

16. Trade and other receivables	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	QMUL £'000	Consolidated £'000	QMUL £'000
Amounts falling due within one year:				
Research grant receivables	24,843	24,827	26,880	26,880
Other trade receivables	18,909	18,700	12,537	12,405
Other receivables	995	923	1,308	1,142
Prepayments and accrued income	8,444	8,401	10,559	10,496
Amounts due from subsidiary companies	-	1,004	-	779
Amounts due from associate companies	74	74	133	133
	53,265	53,929	51,417	51,835
Amounts falling due after one year:				
Other receivables	306	-	363	-
	53,571	53,929	51,780	51,835

17. Current Investments	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	QMUL £'000	Consolidated £'000	QMUL £'000
Short term investment in shares	4,283	4,283	4,945	4,945
Short term bonds	4,502	4,502	5,085	5,085
Short term deposits	1,237	1,237	627	627
	10,022	10,022	10,657	10,657

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

Notes to the Financial Statements (continued)

18. Creditors: amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	QMUL	Consolidated	QMUL
	£'000	£'000	£'000	£'000
Unsecured loans	904	904	23,873	23,873
Obligations under finance leases	976	976	1,821	1,821
Trade payables	13,175	13,141	9,906	9,730
Social security and other taxation payable	5,568	5,524	5,302	5,293
Research grants/contracts in advance	56,316	56,316	53,579	53,579
Accruals and deferred income	22,272	21,625	23,892	23,133
Amounts owed to subsidiaries	-	3,266	-	3,230
Other creditors	7,139	6,834	6,435	6,062
	106,350	108,586	124,808	126,721

Deferred income

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

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	QMUL	Consolidated	QMUL
	£'000	£'000	£'000	£'000
Grant income	1,092	1,012	2,124	2,124
Other income	3,330	3,330	1,932	1,699
	4,422	4,342	4,056	3,823

Notes to the Financial Statements (continued)

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

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	QMUL £'000	Consolidated £'000	QMUL £'000
Deferred income		-	-	65	-
Obligations under finance leases		682	682	1,658	1,658
Secured loans		16,981	-	16,981	-
Unsecured loans		80,832	80,832	68,736	68,736
Other creditors		10,217	10,217	10,750	10,750
		108,712	91,731	98,190	81,144

Analysis of secured and unsecured loans:

Due within one year or on demand	18	904	904	23,873	23,873
Due between one and two years		15,937	15,937	904	904
Due between two and five years		18,599	16,016	19,849	17,902
Due in five years or more		63,277	48,879	64,964	49,930
Due after more than one year		97,813	80,832	85,717	68,736
Total secured and unsecured loans		98,717	81,736	109,590	92,609
Unsecured loans repayable by 2017		-	-	23,000	23,000
Unsecured loans repayable by 2018		15,000	15,000	15,000	15,000
Unsecured loans repayable by 2020		13,000	13,000	-	-
Unsecured loans repayable by 2042		53,736	53,736	54,609	54,609
Secured loans repayable by 2034		16,981	-	16,981	-
		98,717	81,736	109,590	92,609

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
Unsecured				
Lloyds Bank PLC	45,960	2042	5.01	QMUL
Lloyds Bank PLC	7,776	2042	0.18 above LIBOR	QMUL
Lloyds Bank PLC	15,000	2018	0.42 above LIBOR	QMUL
Royal Bank of Scotland	13,000	2020	0.50 above LIBOR	QMUL
	81,736			
Secured				
Barclays Bank PLC	16,981	2034	5.27	Queen Mary Bioenterprises Ltd
Total	98,717			

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 has been accrued and added to the drawn down loan principal for the period to September 2008. From December 2008, and until the end of the loan facility, interest is paid quarterly in arrears. The loan principal and accrued interest to September 2008 is to be repaid by quarterly instalments from March 2019 and until the end of the loan facility. The loan facility is guaranteed by 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.

Notes to the Financial Statements (continued)

20. Pension Provisions

Consolidated and QMUL	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SAUL Pension £'000	Defined Benefit Pension Obligation £'000	Total Pension Provisions £'000
As at 1 August 2016	40,940	2,165	414	43,519
Contributions paid for deficit recovery plan	(2,710)	(898)	(33)	(3,641)
Change in assumptions	(316)	(681)	-	(997)
Unwinding of discount	716	21	-	737
Actuarial gain	-	-	(97)	(97)
Net return on assets	-	-	(32)	(32)
As at 31 July 2017	38,630	607	252	39,489

USS deficit

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

SAUL deficit

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

Defined Benefit Pension

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

21. Other Provisions

Consolidated and QMUL	Other Provisions £'000
As at 1 August 2016	25
Utilised in year	(25)
Additions in year	-
Unused amounts reversed	-
As at 31 July 2017	-

Notes to the Financial Statements (continued)

22. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
Consolidated					
As at 1 August 2016					
Capital	21,493	1,534	-	23,027	22,842
Accumulated income	1,213	-	6,027	7,240	7,521
	22,706	1,534	6,027	30,267	30,363
Recategorisation	51	(64)	3,572	3,559	-
	22,757	1,470	9,599	33,826	30,363
New endowments	11	-	117	128	3
Increase in market value of investments	851	54	355	1,260	495
Management fee applied to Capital	(235)	(15)	(98)	(348)	(282)
Investment income	259	17	107	383	255
Expenditure	(316)	(17)	(732)	(1,065)	(611)
Repayment of Benevolence Loans	81	-	1	82	44
Total endowment comprehensive income for the year	651	39	(250)	440	(96)
As at 31 July 2017	23,408	1,509	9,349	34,266	30,267
Represented by:					
Capital	22,171	1,509	-	23,680	23,027
Accumulated income	1,237	-	9,349	10,586	7,240
	23,408	1,509	9,349	34,266	30,267
Analysis by type of purpose:					
Centre for Commercial Law Studies	14,350	-	1,313	15,663	15,396
Lectureships	422	-	74	496	185
Scholarships and bursaries	4,185	-	1,508	5,693	5,295
Research support	2,481	1,509	3,185	7,175	5,107
Prize funds	1,648	-	20	1,668	1,575
General	322	-	3,249	3,571	2,709
	23,408	1,509	9,349	34,266	30,267
Analysis by asset:					
Current and non-current asset investments				33,702	28,812
Cash and cash equivalents				564	1,455
				34,266	30,267

A review of endowment and other donated funds was carried out during the year to ensure consistency in accounting treatment and adherence to the original terms of donations. As a result of this review £1.8 million has been reclassified from restricted reserves to endowment reserves and £1.8 million between unrestricted reserves and endowment reserves. There were additional minor reclassifications within the endowment reserves between restricted, unrestricted and expendable endowments.

Notes to the Financial Statements (continued)

23. Restricted Reserves

Reserves with restrictions are as follows:

	2017 Donations £'000	2016 Donations £'000
Consolidated		
As at 1 August 2016	4,723	5,137
Transfers to endowments	(1,814)	-
	2,909	5,137
New grants	1,268	1,369
New donations	1,047	1,060
Investment income	-	22
Capital grants utilised	-	-
Expenditure	(2,289)	(2,899)
Increase in market value of investments	-	34
Total restricted comprehensive income for the year	26	(414)
As at 31 July 2017	2,935	4,723
Analysis of restricted funds by type of purpose:		
Scholarships and bursaries	579	932
Research support	1,700	2,569
Other	656	1,222
	2,935	4,723

A review of endowment and other donated funds was carried out during the year to ensure consistency in accounting treatment and adherence to the original terms of donations. As a result of this review £1.8 million has been reclassified from restricted reserves to endowment reserves. See note 22.

24. Cash and cash equivalents

	As at 1 August 2016 £'000	Cash Flows £'000	As at 31 July 2017 £'000
Consolidated			
Cash and cash equivalents	17,876	209	18,085
Bank overdraft	-	-	-
	17,876	209	18,085

Notes to the Financial Statements (continued)

25. Capital and other commitments

Provision has not been made for the following capital commitments:

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	QMUL	Consolidated	QMUL
	£'000	£'000	£'000	£'000
Commitments contracted for	13,981	13,981	4,007	4,007

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

26. Contingent liabilities

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 2017 the value of the drawdowns including bank interest stood at £16,981,157 (2016: £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 2017 the value of the government grant received stood at £7,000,000 (2016: £7,000,000).

27. Lease obligations

Total rentals payable under operating leases:

	As at 31 July 2017			As at 31 July 2016	
	Land and Buildings	Plant and Machinery	Total	Total	
	£'000	£'000	£'000	£'000	
Payable during the year	2,376	2,454	4,830	4,105	
Future minimum lease payments due:					
Not later than 1 year	2,123	1,164	3,287	3,293	
Later than 1 year and not later than 5 years	7,631	448	8,079	5,599	
Later than 5 years	8,732	-	8,732	5,811	
Total lease payments due	18,486	1,612	20,098	14,703	

Notes to the Financial Statements (continued)

28. Subsidiary undertakings

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%	Participatory arts charity
Queen Mary Innovation Limited	England	Ordinary	100%	Holding Company
Queen Mary Innovation Limited	England	Preference	100%	Holding Company
Queen Mary Research Laboratories (Macau) Limited	Macau	Ordinary	48%	Smart antennas for wireless networks
Queen Mary University of London Holdings Limited	Malta	Ordinary	100%	Holding Company
Queen Mary University of London - Malta Limited	Malta	Ordinary	100%	Provision of education

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

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

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

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

Notes to the Financial Statements (continued)

29. Pension schemes

The three principal pension schemes for QMUL's staff are the Superannuation Arrangements of the University of London (SAUL), the Universities Superannuation Scheme (USS) and the NHS 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 colleges prior to their merger with QMUL.

QMUL's contributions to the schemes are shown below:

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

	At 31 July 2016		
	USS	SAUL	NHS
	%	%	%
Employees' contributions - final salary scheme	N/A	N/A	5 - 14.5*
Employees' contributions - career revalued benefits scheme	8.0	6.0	5 - 14.5*
Employer's contributions	18.0	16.0	14.3

* tiered contribution rates depending on salary

	2017	2016
	£000	£000
Contribution to USS	22,515	19,781
Contribution to SAUL	3,891	3,278
NHS Public Service Scheme	2,256	2,176
Contribution paid to other pension schemes	1	16
	<u>28,663</u>	<u>25,251</u>

At 31 July 2017 £3,665,000 (2016: £3,603,000) of pension payments were outstanding which were paid when due in August. There were no prepayments in either year.

(i) USS

QMUL participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme wide contribution rate is set. QMUL is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", QMUL therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since QMUL has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, QMUL recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit). QMUL's USS pension liability at 31 July 2017 is £38,629,933 (2016: £40,939,891) see pension provision note 20.

Notes to the Financial Statements (continued)

29. Pension schemes (continued)

FRS102 makes a distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry wide scheme such as the USS scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS102. QMUL is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since QMUL cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables - no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

Notes to the Financial Statements (continued)

29. Pension schemes (continued)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 years	24.4	24.3
Females currently aged 65 years	26.6	26.5
Males currently aged 45 years	26.5	26.4
Females currently aged 45 years	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%

(ii) SAUL

QMUL participates in the Superannuation Arrangements of the University of London (“SAUL”), which is a centralised defined benefit scheme within the United Kingdom. SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL prior to 1 April 2016 built up on either a Final Salary basis or a Career Average Revalued Earnings (“CARE”) basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all Members now build up benefits on a CARE basis from 1 April 2016.

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

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

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

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL’s position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL’s next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers’ contributions has, therefore, increased from 13% of salaries to 16% of salaries with effect from 1 April 2016. QMUL is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL’s assets was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

Notes to the Financial Statements (continued)

29. Pension schemes (continued)

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

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability recognised by QMUL at 31 July 2017 in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £606,608 (2016: £2,164,819) see pension provision note 20. This liability is based on a projection of salaries over the period to 31 March 2018.

(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 FRS102.

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

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

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

The movement in the deficit in the year was:

	Value at 31/07/2017 £'000	Value at 31/07/2016 £'000
Deficit in scheme at 1 August	(414)	(161)
Contribution by employer	33	-
Current service cost	(9)	(6)
Return on assets excluding interest income	41	215
Actuarial gain / (loss)	97	(462)
Deficit in scheme at 31 July	<u>(252)</u>	<u>(414)</u>

Discretionary pension increases in the London Hospital section are set with reference to CPI subject to a maximum of 5% per annum. Pension increases for the St Bartholomew's Hospital section are fixed at 3% per annum. £129,000 has been credited to the income and expenditure account in the year (2016: £253,000 charge).

(v) Defined contribution scheme

One of QMUL's subsidiaries offered a defined contribution scheme to its staff. The cost for the year was £1,000 (2016: £16,000). There were no outstanding contributions or prepaid contributions at the balance sheet date.

Notes to the Financial Statements (continued)

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

Name	Related Party	Position	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
Miranda Black	Queen Mary Students' Union	Chair of Trustees	149	936	472	1
Dr Veronique Bouchet	Breast Cancer Now	Trustee	674	0	172	0
Emma Bull	QMSU Services Ltd	Chairman	88	926	445	1
Emma Bull	London Universities Purchasing Consortium	Board Member	0	9	0	0
Prof Edmund Burke	EPSRC	Member of Strategic Advisory Team	5,700	112	0	0
Lord Clement-Jones CBE	Corporate Finance Faculty of the ICAEW	Board Member	15	0	0	0
Dr Annette Doherty	GlaxoSmithKline	Senior Vice President	194	0	61	0
Dr Annette Doherty	LifeArc	Trustee	4	1	0	0
Prof Simon Gaskell	Higher Education Statistics Agency	Chairman	0	39	0	0
Prof Simon Gaskell	UCL Partners	Director	121	104	22	4
Prof Simon Gaskell	Universities UK	Board Member	0	43	0	0
Prof Simon Gaskell	University of London	Trustee	130	1,933	2	2
Celia Gough	Veolia Group Companies	Director	0	58	0	1
Prof Matthew Hilton	AHRC	Advisory Board Member	1,533	0	0	0
Joanne Jones	LHMC pension scheme	Trustee	138	9	0	252
Joanne Jones	UCAS	Finance Committee Member	0	123	0	0
Prof Rebecca Lingwood	Medical College of St Bart's Hospital Trust	Trustee	333	0	0	0
Prof Steve Thornton	Wellbeing of Women	Trustee	39	0	0	0
Prof Steve Thornton	Medical Schools Council	Exec Committee Member	9	21	0	0
Prof Steve Thornton	Barts NHS Trust	Board Member	9,307	3,726	3,165	178
David Willis	Paradigm Trust	Director	0	0	7	0

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



Council and Audit and Risk Committee Membership

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

COUNCIL MEMBERSHIP

Chair	Sir Nicholas Montagu (resigned 31/07/17) Lord Clement-Jones CBE (appointed 01/08/17)
Treasurer	Mr Simon Linnett (tenure ended 28/10/17) Mr Luke Savage (appointed 29/10/17)
Vice-Chair	Mr John Yard (resigned 19/10/17) Ms Monica Chadha (appointed 20/10/17)

Ex Officio Members

The President and Principal	Professor Simon Gaskell (resigned 31/08/17) Professor Colin Bailey (appointed 01/09/17)
The President of the Students' Union 2016/17	Miranda Black (tenure 01/08/16 to 31/07/17)
The President of the Students' Union 2017/18	Yasir Yeahia (tenure 01/08/17 to 31/07/18)

Tenure ends

Nominees of the President and Principal

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

Elected Members [Staff]

Professor Paul Anderson (tenure ended 30/09/17)	30/09/17
Professor Richard Ashcroft	30/09/18
Professor Jane Wills (appointed 26/09/16, resigned 30/09/17)	30/09/17
Professor Geraint Wiggins (resigned 31/07/17)	31/07/17
Ms Sarah Cowls (appointed 01/09/16)	01/09/20
Dr Darryn Mitussis (appointed 30/09/17)	30/09/21
Professor Wen Wang (appointed 30/09/17)	30/09/21
Dr Mangala Patel (appointed 30/09/17)	30/09/21

Council and Audit and Risk Committee Membership

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

COUNCIL MEMBERSHIP (CONTINUED)

	Tenure ends
External Members	
Ms Kathryn Barrow	31/12/20
Dr Veronique Bouchet	31/12/19
Ms Monica Chadha	04/02/20
Dr Annette Doherty (resigned 25/07/17)	25/07/17
Ms Stella Hall	06/07/19
Mr Simon Linnett (tenure ended 28/10/17)	28/10/17
Sir Nicholas Montagu (resigned 31/07/17)	31/07/17
Lord Clement-Jones CBE (appointed 30/04/17)	30/04/21
Ms Bushra Nasir	31/08/21
Ms Patricia Newton (tenure ended 31/08/16)	31/08/16
Ms Celia Gough (appointed 01/09/16)	01/09/20
Mr Luke Savage	31/01/22
Mr David Willis	31/12/21
Mr John Yard	31/08/18

AUDIT AND RISK COMMITTEE MEMBERSHIP

Chairman [an external member of Council]

Mr David Willis

Up to four other external members of Council

Ms Kathryn Barrow

Ms Monica Chadha

Up to two co-opted members

Ms Melissa Tatton

Mr Nadim Choudhary

Senior Executive Membership

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

Chair

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

Vice-Principal and Executive Dean (Science and Engineering)	Professor Edmund Burke
Vice-Principal and Executive Dean (Humanities and Social Sciences)	Professor Matthew Hilton (appointed 01/09/16)
Vice-Principal and Executive Dean (Student Experience, Teaching and Learning)	Professor Rebecca Lingwood
Vice-Principal and Executive Dean (Public Engagement and Student Enterprise)	Professor Peter McOwan
Vice-Principal (International)	Professor David Sadler (resigned 31/08/17)
Vice-Principal (Research)	Professor Bill Spence
Vice-Principal and Executive Dean (Health)	Professor Steve Thornton
Chief Strategy Officer	Mr Dean Curtis
Chief Operating Officer	Ms Laura Gibbs
Finance Director	Ms Joanne Jones (appointed 12/09/17)

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