THE SCHOOL OF PHARMACY

UNIVERSITY OF LONDON

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2007

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

CONTENTS

Financial Report of the Council	1
Corporate Governance Statement	3
Responsibilities of the Council	5
Report of the Independent Auditors	6
Statement of Principal Accounting Policies	8
Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Statement of Total Recognised Gains and Losses	12
Notes to the Financial Statements	13

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

REPORT OF THE COUNCIL
FOR THE YEAR ENDED 31 JULY 2007

Results for the Year

The summarised results for the year are as follows:

	2006-07 £'000	2005-06 £'000	Change %
Income	17,284	16,868	2.5
Expenditure	17,218	16,491	4.4
Surplus for year	66	377	

The School has returned a surplus of £66,000 which is comparable to last year's surplus if the income from the sale of investments (£297,000) is excluded. The accumulated reserves at 31 July 2007 stand at £2.6m.

There has been a net increase in total income of £0.4m. Recurrent grants from the Higher Education Funding Council for England increased by £0.6m and tuition fee income by £0.5m. Income from research grants and contracts was £0.5m lower than the unusually high level in 2005-06.

Total expenditure has increased by £0.7m. Staff costs totaled £9.9m and accounted for 58 % of expenditure. The increase of £0.6m over the previous year's staff costs represents the cost of the national pay award, increments and discretionary awards. Other operating costs were reduced on last year mainly because of the lower level of research grant expenditure.

Cash Flow

At 31st July 2007 the School's liquid assets amounted to £2.25m compared to £2.60m at 31st July 2006. Net cash inflow for the year from operating activities was £1.36m. £2.98m was invested in tangible fixed assets, funded in part by capital grants of £0.65m and a bank loan of £0.5m.

Capital Projects

Molecular Pharmacy Extension

The three lower floors of the molecular pharmacy building were brought into use during 2006-07 following completion of the main building works. The total cost of the project so far is £4.5m. Fitting out of the top four floors will be completed in 2007-08 at a cost of £1.2m. The total project will have

been financed through a combination of capital grants from the Higher Education Funding Council, bank borrowing, the School's own funds and a generous grant of £1m from the Wolfson Foundation.

21 and 22 Russell Square

The School in collaboration with the School of Oriental and African Studies, jointly purchased from the University of London, a 99 year leasehold interest in 21 and 22 Russell Square at a cost of £2.5m. It was agreed that the School would occupy 30.5% of the site and contribute towards the payment of the purchase and refurbishment costs at the same percentage level. The School's share of the refurbishment costs was £0.82m. The work was completed in October 2007.

Investment in New Academic Staff

The School appointed a number of new academic staff during the year, including a professor in each of the fields of Behavioural Medicine and Pharmaceutical Nanoscience.

The School seeks to employ a diverse workforce. Equality of opportunity is well established and the School is actively reviewing a broad range of management policies to ensure that they do not have a discriminatory impact on particular groups of staff or students.

The Bloomsbury Colleges

The School is one of six colleges of the University of London forming The Bloomsbury Colleges group, the others being Birkbeck, the Institute of Education, the London School of Hygiene and Tropical Medicine, the Royal Veterinary College and the School of Oriental and African Studies. The aim of the group is to achieve academic collaborations and efficiencies in central services and administrative functions. The physical proximity of the colleges is a key factor in facilitating contact and enabling shared facilities where relevant.

HEFCE provided funding of £3.7m to support the costs of establishing the new London International Development Centre.

Conclusion

The underlying financial position continues to be demanding and will require significant effort to secure a more robust financial base for a sustainable future. The new fee arrangements for UK and EU undergraduates that were introduced in 2006-07 are helping to strengthen the funding position although this is countered by the threat of withdrawal of HEFCE funding in the future for equivalent or lower qualifications (ELQ). A solution to the problems of funding must be found so that the School can continue to develop its mission to pharmacy nationally and internationally.

J C Axe
Secretary and Clerk to the Council
November 2007

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

CORPORATE GOVERNANCE STATEMENT

The School is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998.

In the opinion of the School's governing body, the Council, the School complies with the provisions of the Combined Code insofar as they relate to higher education institutions, and it has complied throughout the year ended 31 July 2007. The School also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales.

The School is an independent corporate body, whose legal status derives from a Royal Charter. Its objects, powers and framework of governance are set out in the Charter and supporting Statutes. The School Council comprises: two members nominated by the University of London; one member nominated by the Council of the Royal Pharmaceutical Society of Great Britain; four members of the Academic Board nominated by the Board; the Dean; two members elected by the Professors, Readers and Teachers of the School; one member elected by the non-academic staff of the School; the elected President of the Students' Union; and not more than eight lay members co-opted under Clause 6 of the Charter. The roles of Chairman, Vice-Chairman and Treasurer of Council are separated from the role of the School's Chief Executive, the Dean. The matters specially reserved to the Council for decision are set out in the Statutes of the School and under the Financial Memorandum with the Higher Education Funding Council for England. The Council is responsible for the ongoing strategic direction of the School, approval of major developments and the receipt of regular reports from executive officers on the operations of its business and of any subsidiary companies.

The Council meets four times a year and has several Committees, including an Academic Board, a Finance Committee, a Governance Committee, a Nominations Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference.

The Academic Board, chaired by the Dean, meets three times a year and considers and advises the Council upon all academic matters as set out in the Statutes.

The Finance Committee, chaired by the Treasurer, meets three times a year and *inter alia* recommends to Council the School's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Governance Committee, chaired by the Chairman of Council, meets at least once a year to advise Council on governance issues as set out in the Guide for Members of Governing Bodies.

The Nominations Committee, chaired by the Chairman of Council, meets on an *ad hoc* basis to seek out and recommend new lay co-opted members to the Council.

The Remuneration Committee, chaired by the Chairman of Council, meets once a year and determines the remuneration of the Dean, the Professors and the Clerk to the Council and Secretary.

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

CORPORATE GOVERNANCE STATEMENT (continued)

The Audit Committee, chaired by a lay member of Council, meets three times a year, with the School's internal and external auditors in attendance as necessary. The Committee monitors the School's management of risk and considers detailed reports together with recommendations for the improvement of the School's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the School's business and monitors adherence to the regulatory requirements.

The School's internal audit service is provided by an external firm of accountants which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in 2005. The internal auditors submit regular reports which include an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The School Council has formal responsibility for the maintenance of 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 it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the Financial Memorandum with the HEFCE. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is aware that the ongoing process of identifying, evaluating and managing the School's significant risks has been in place for the year ended 31 July 2007 and up to the date of the approval of the financial statements. The calendar of meetings is structured to ensure that risk management and internal control are considered on a regular basis throughout the year. Risk management has been incorporated fully into the corporate planning and decision-making processes of the School. The following actions have been undertaken to implement the School's risk management strategy:

- development and adoption of a risk management policy and risk management strategy;
- agreement of the principal management responsibilities for risk management;
- a continuing series of risk management group meetings to assist with identifying the School's objectives and associated risks, and to determine a control strategy for each of the significant risks;
- requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management.

The Council receives periodic reports from the Audit Committee concerning internal control, and regular reports are sought from managers on the action being taken to manage risks in their area of responsibility including progress reports on key projects.

Review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the School who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

RESPONSIBILITIES OF THE COUNCIL OF THE SCHOOL OF PHARMACY

In accordance with its Charter and Statutes, the Council of The School of Pharmacy is responsible for the administration and management of the affairs of the School of Pharmacy and is required to prepare audited financial statements for each financial year.

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

In preparing the financial statements, the Council has to ensure 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
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the School of Pharmacy will continue in operation.

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibility of, and authority delegated to, senior staff and officers;
- comprehensive financial regulations, detailing financial controls and procedures, approved by Council;
- an internal audit service whose annual programme of work is approved by Audit Committee, endorsed by Council, and whose head provides Council with a report on internal audit activity within the School and an opinion on the adequacy and effectiveness of the School’s system of internal control, including internal financial control;
- regular reviews of financial performance and key business risks, and termly reviews of financial forecasts; and
- clearly defined procedures for the approval and control of expenditure, with investments decisions involving capital or recurrent expenditure being subject to formal detailed review according to levels set by Council.

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

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE SCHOOL OF PHARMACY, UNIVERSITY OF LONDON

We have audited the financial statements for the year ended 31 July 2007 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Council as a body. Our audit work has been undertaken so that we might state to the School's Council those matters we are required to state to them in an auditors' 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 School and the School's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Council and Auditors

As described in the Statement of Corporate Governance, the Council is responsible for the preparation of financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, International Standards of Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the School, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the School's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the School has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Report of the Council and the Statement of Corporate Governance. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE SCHOOL OF PHARMACY, UNIVERSITY OF LONDON (CONTINUED)

Basis of Audit Opinion

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

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

Opinion

In our opinion:

i) the financial statements give a true and fair view of the state of affairs of the School at 31 July 2007, and of the School's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions;

ii) in all material respects, income from the Higher Education Funding Council for England and from other restricted funds administered by the School have been applied for the purposes for which they were received;

iii) in all material respects, income has been applied in accordance with the School's statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England covering the period 1 August 2006 to 31 July 2007.

Mazars LLP

Chartered Accountants

and Registered Auditors

24 Bevis Marks, London, EC3A 7NR

November 2007

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

I. General

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed fixed asset investments and endowment asset investments, and in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions and with applicable Accounting Standards.

2. Recognition of Income

Income from research grants and contracts is included to the extent of the completion of the work concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contribution towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned. Recurrent grants from Funding Councils are recognised in the period in which they are receivable.

3. Land and Buildings

Leasehold Property
The School's main premises at 29/39 Brunswick Square were financed by capital grants made in previous years to the University of London. The freehold to the building is owned by the University of London. The School entered into a 99 years lease agreement with the University of London which was completed on 11th October 2006. The insurance value of the building on a "day-one" basis as at 1 August 2007 was £49,004,976.

The School entered into an under-lease agreement with the School of Oriental and African Studies on 12 March 2007 in respect of the basement, ground and first floors of 21 Russell Square for a term ending on 10 October 2105 at an annual peppercorn rent. The lease premium paid by the School was £762,500 and the School's share of the refurbishments costs were £356,000 by 31 July 2007 and will total £825,000 by completion.

Depreciation Rates

Molecular Pharmacy Extension (lower three floors) - 2.5% straight line
Other major building works – 5% straight line
Major capital expenditure on long term maintenance - 5% straight line
Laboratory refurbishment - 10% straight line.

Buildings not brought into use during the year are not depreciated (21 Russell Square and the upper four floors of the Molecular Pharmacy Extension).

4. Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost and depreciated on a straight line basis over its expected useful life, usually of four years.

5. Investments

Investment income, including realised profits and losses, is brought into the financial statements in the year in which it is received. Investment income attributable to Endowments is treated as restricted income and is only credited to the Income and Expenditure Account to the extent that it is

THE SCHOOL OF PHARMACY
UNIVERSITY OF LONDON

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

matched by expenditure. Listed fixed asset investments and endowment asset investments are included in the Balance Sheet at market value. Unlisted investments are carried at cost less any provision for impairment. Short term deposits held as current assets are included at the lower of cost and net realisable value.

6. Taxation

No provision is made for taxation because of the charitable status of the School in accordance with Section 505 of the Income and Corporation Taxes Act 1988 and the Taxation of Chargeable Gains Act 1992 to the extent that its income is applied in furtherance of its charitable purpose. The School is liable for Value Added Tax and its effect is included under the relevant expenditure heads.

7. Maintenance Costs

The cost of routine corrective maintenance is charged directly to the Income and Expenditure Account as incurred.

8. Pensions

The School of Pharmacy participates in two defined benefit pension schemes - Universities Superannuation Scheme (USS) for academic and academic-related staff and Superannuation Arrangements of the University of London (SAUL) for other staff. Both schemes are defined benefit schemes which are externally funded and contracted-out of the State Earnings Related Pension Scheme. The assets of the schemes are held in separate trustee-administered funds. The School is unable to identify its share of the underlying assets and liabilities of the schemes on a reasonable and consistent basis and therefore accounts for the schemes as if they were defined contribution schemes. As a result the amounts charged to the income and expenditure account represent contributions payable to the schemes in respect of the accounting period..

Further details of the USS and SAUL pension schemes can be found at note 26. The School also participates in the Federated Superannuation Scheme (FSSU). At 31 July 2007, there were no remaining members of FSSU in the School's employment and one deferred member for whom policies are held in trust by the School.

9. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdraft. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the School's treasury management activities.

10. Deferred Capital Grants

Where a fixed asset is acquired with the aid of a specific grant, the grant is treated as a deferred capital grant and released to the income and expenditure account at the same rate at which the related depreciation is charged over the expected useful life of the asset.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2007

	NOTE	2007 £	2006 £
INCOME			
Funding Council Grants	1	7,907,175	7,284,986
Academic Fees and Support Grants	2	3,369,921	2,851,279
Research Grants and Contracts	3	5,270,411	5,771,785
Other Operating Income	4	591,397	521,825
Endowment and Investment Income	5	144,908	438,056
		17,283,812	16,867,931
EXPENDITURE			
Staff Costs	6	9,900,841	9,297,356
Depreciation	9	1,073,446	939,488
Other Operating Expenses	7	6,231,158	6,254,249
Interest Payable		12,825	-
		17,218,270	16,491,093
Surplus for the year	18	**65,542**	**376,838**

The above results relate wholly to continuing operations.

BALANCE SHEET AS AT 31 JULY 2007

	Note	2007	2006
		£	£
FIXED ASSETS			
Tangible Assets	9	9,554,359	7,650,435
Investments	10	163,179	169,039
		9,717,538	7,819,474
ENDOWMENT ASSET INVESTMENTS	11	560,268	546,521
CURRENT ASSETS			
Stocks		9,148	6,360
Debtors	12	923,410	1,289,772
Short Term Deposits		1,764,033	2,132,027
Cash at Bank and in Hand		483,307	464,635
		3,179,898	3,892,794
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(4,810,925)	(4,250,658)
NET CURRENT LIABILITIES		(1,631,027)	(357,864)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,646,779	8,008,131
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank Loan	14	(489,185)	-
NET ASSETS		8,157,594	8,008,131
DEFERRED CAPITAL GRANTS	15	4,946,681	4,870,647
ENDOWMENTS			
Specific	16	357,361	342,518
General	16	202,907	204,003
		560,268	546,521
RESERVES			
Revaluation Reserve	17	11,069	16,929
Income and Expenditure Account	18	2,639,576	2,574,034
		2,650,645	2,590,963
TOTAL		8,157,594	8,008,131

Approved by Council on 27 November 2007, and signed on its behalf by:

	Chairman of Council		Dean
	Treasurer		Clerk to the Council

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2007

	Note	2007	2006
		£	£
Net Cash Inflow/(Outflow) from Operating Activities	20	1,355,681	(337,245)
Returns on Investments and Servicing of Finance	21	145,308	449,709
Capital Expenditure and Financial Investment	22	(2,321,502)	(1,466,774)
Financing	23	489,185	-
Cash Inflow before Use of Liquid Resources		(331,328)	(1,354,310)
Management of Liquid Resources		350,000	815,000
Increase/(Decrease) in Cash	24	18,672	(539,310)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
Increase/(Decrease) in Cash in the year	18,672	(539,310)
Decrease in Short Term Deposits	(350,000)	(815,000)
Change in Net Funds	(331,328)	(1,354,310)
Net Funds brought forward	3,064,635	4,418,945
Net Funds at 31 July	2,733,307	3,064,635

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

		2007 £	2006 £
Surplus after Disposal of Assets		65,542	376,838
Diminution of Endowment Asset Investments	11	(4,247)	(2,338)
Endowments received in the Year	11	17,994	69,484
Unrealised Loss on Revaluation of Investments	17	(5,860)	(4,507)
Total Recognised Gains relating to the year		73,429	439,477

NOTES TO THE FINANCIAL STATEMENTS

		2007 £	2006 £
1	**FUNDING COUNCIL GRANTS**		
	Block Recurrent Grant	7,088,505	6,661,930
	Specific Grants:		
	Higher Education Innovation Fund	300,012	275,000
	Learning & Teaching Development	38,842	34,496
	Students with Learning Difficulties & Disabilities	-	22,371
	E-Learning	-	29,385
	Home Office Active Community Fund	4,583	417
	Strategic Development Fund	101,052	-
	Deferred Capital Grants Released in Year:		
	Equipment and Furniture - Depreciation (Note 14)	101,032	69,587
	Building Works - Depreciation (Note 14)	273,149	191,800
		7,907,175	7,284,986
2	**ACADEMIC FEES AND SUPPORT GRANTS**		
	Full Time - Home & EU	1,167,771	931,371
	Full Time - Overseas	1,924,841	1,691,101
	Part Time	225,309	184,807
	Bench Fees and Support Grants	52,000	44,000
		3,369,921	2,851,279
3	**RESEARCH GRANTS AND CONTRACTS**		
	Research Councils	1,096,879	1,313,543
	UK Charities	1,254,083	1,182,681
	UK Central Govt Bodies	417,884	380,650
	UK Industry, Commerce and Public Corporations	820,750	943,784
	Overseas Sources	709,230	668,428
	Other Sources	239,471	274,129
	Released from Deferred Capital Grants (Note 14)	150,884	209,282
		4,689,181	4,972,497
	Indirect Costs Recovered	581,230	799,288
		5,270,411	5,771,785
4	**OTHER OPERATING INCOME**		
	Residences and Catering	162,126	136,378
	Other Services Rendered	75,607	10,502
	Released from Deferred Capital Grants (Note 14)	50,000	50,000
	Accommodation Lettings	148,059	186,559
	Other Income	155,605	138,386
		591,397	521,825
5	**ENDOWMENT AND INVESTMENT INCOME**		
	Transferred from Endowments (Note 15)	15,475	11,542
	Income from Fixed Asset Investments	10,744	307,312
	Income from Short Term Deposits and Bank Interest	118,689	119,202
		144,908	438,056

Included in Income from Fixed Asset Investments in 2005-06 is £296,539 from the sale of shares in Lipoxen Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued

		2007	2006
		£	£
6	**STAFF**		
	Staff Costs:		
	Wages and Salaries	8,266,939	7,776,206
	Social Security Costs	710,688	678,153
	Other Pension Costs	913,985	842,997
	Early retirement & severance costs	9,229	-
		9,900,841	9,297,356
	Emoluments of former Dean, Professor A T Florence, retired 6 April 2006, excluding pension contributions from the School in 2005-06 of £12,053	£0	£107,209
	Emoluments of Dean, Professor A W Smith, from 7 April 2006, excluding pension contributions from the School of £15,592 (2005-06 £4,761).	£127,240	£38,800
	Remuneration of other higher paid staff, excluding pension contributions:	No.	No.
	£70,000 - £79,999	10	6
	£80,000 - £89,999	1	2
	£90,000 - £99,999	2	-
	Average Staff Numbers (full time equivalents) by category:	No.	No.
	Academic	57	58
	Research Grants and Contracts	60	66
	Academic - Related	30	29
	Technical	20	20
	Clerical, Secretarial and Computer Operators	27	27
	Manual and Ancillary	11	11
	Other	7	7
		212	218
	Other Pension Costs comprised:	£	£
	USS Employer's Contributions	705,584	672,952
	SAUL Employer's Contributions	192,006	154,305
	Other Employer's Contributions	9,113	8,479
	FSSU Pensions Supplementation	7,282	7,261
		913,985	842,997

7	**OTHER OPERATING EXPENSES**		
		£	£
	Residences and Catering Operating Expenses	91,807	93,393
	Consumables and Laboratory Expenditure	747,998	708,339
	Research Grant Expenses	2,110,370	2,405,442
	Books & Periodicals	240,836	204,847
	Other Library & Information Service Expenditure	157,157	183,952
	School Studentships, Prizes and Waiver of Fees	569,374	620,777
	Other General Educational Expenditure	298,082	235,774
	Heat, Light, Power and Water	344,448	271,188
	Repairs and General Maintenance	299,443	265,587
	Long-term Maintenance	16,429	16,570
	Minor Works & Adaptations	80,928	37,710
	Rates	54,983	58,813
	Insurance	126,360	119,536
	Telephones	48,182	54,761
	Minor Equipment and Equipment Maintenance	227,133	227,854
	External Audit Fees	19,814	14,676
	Internal Audit Costs	17,296	16,891
	Other Professional Fees	61,944	21,049
	University of London Subscription & Services	81,364	79,412
	Commercial Development Office	131,720	137,730
	Students Union Grant & Other Expenses	26,617	26,605
	Other Expenses	478,873	453,343
		6,231,158	6,254,249

NOTES TO THE FINANCIAL STATEMENTS - continued

8 ANALYSIS OF 2006-07 EXPENDITURE BY ACTIVITY

	Staff Costs	Deprec'n	Other Operating Expenses	Total
	£	£	£	£
Academic Departments	5,123,059	329,345	1,556,891	7,009,295
Academic Services	441,917	-	406,993	848,910
Research Grants and Contracts	2,427,927	150,884	2,110,370	4,689,181
Residences and Catering	134,540	-	91,807	226,347
Premises	498,257	593,217	1,094,464	2,185,938
Administration and Central Services	1,049,025	-	685,252	1,734,277
Other Expenses	226,116	-	285,381	511,497
Interest Payable	-	-	12,825	12,825
	9,900,841	1,073,446	6,243,983	17,218,270

The depreciation charge has been funded by:	
Deferred Capital Grants Released (Note 15)	575,065
General Income	498,381
	1,073,446

9 TANGIBLE ASSETS

	Leasehold Building	Equipment	Total
	£	£	£
Cost			
At 1 August 2006	8,985,035	5,087,205	14,072,240
Additions at Cost	2,661,280	316,090	2,977,370
At 31 July 2007	11,646,315	5,403,295	17,049,610
Depreciation			
At 1 August 2006	2,185,276	4,236,529	6,421,805
Charge for year	593,217	480,229	1,073,446
At 31 July 2007	2,778,493	4,716,758	7,495,251
Net Book Value			
At 31 July 2007	8,867,822	686,537	9,554,359
At 1 August 2006	6,799,759	850,676	7,650,435

10 INVESTMENTS

	2007	2006
	£	£
Listed Investments at market valuation:		
Fixed Interest Stocks	112,957	118,817
Unlisted Investments at cost:		
Universities Challenge Biomedical Seed Fund	50,000	50,000
Other	222	222
	163,179	169,039

NOTES TO THE FINANCIAL STATEMENTS - continued

10 INVESTMENTS (continued)

The School holds 100% of the issued share capital of 2 £1 ordinary shares of Pharmovation Limited, a company registered in England and Wales. There have been no transactions since incorporation in March 2004.
The School has investments in a number of spin-out companies which are carried at cost.

11 ENDOWMENT ASSET INVESTMENTS

	2007 £	2006 £
Balance at 1 August	546,521	479,375
Additions	17,994	69,484
Gains/(Losses) on Revaluation	(4,247)	(2,338)
Balance at 31 July	560,268	546,521
Fixed Interest Stocks	74,301	78,548
Short Term Deposits	485,967	467,973
Total Endowment Asset Investments	560,268	546,521
Fixed Interest Stocks at Cost	59,698	59,698

12 DEBTORS

	2007 £	2006 £
Amounts falling due within one year:		
Research Grants and Contracts	351,615	605,831
Other Debtors and Prepayments	571,795	683,941
	923,410	1,289,772

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Research Grants and Contracts	3,241,024	2,773,200
PAYE and National Insurance	232,204	210,727
Other Creditors	1,337,697	1,266,731
	4,810,925	4,250,658

14 BANK LOAN

A bank loan of £500,000, with an interest rate of 0.5% above the bank's base rate (5.25% at 31 July 2007), is repayable by instalments. The loan was initially drawn down on 20 February 2007 as a revolving credit facility which after three years converts to a term loan facility repayable by equal quarterly instalments by the 15th anniversary of the first drawdown.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 DEFERRED CAPITAL GRANTS

	Funding Council £	Other Grants £	Total £
At 1 August 2006			
Building Work - Refurbishments & Capital Maintenance	4,152,675	205,000	4,357,675
Equipment	193,783	319,189	512,972
	4,346,458	524,189	4,870,647
Cash Received			
Building Work - Refurbishments & Capital Maintenance	520,000	-	520,000
Equipment	131,099	-	131,099
	651,099	-	651,099
Released to Income & Expenditure Account (Notes 1, 3 & 4):			
Building Work - Refurbishments & Capital Maintenance	(273,149)	(50,000)	(323,149)
Depreciation on items of equipment costing £10,000 or over	(101,032)	(150,884)	(251,916)
	(374,181)	(200,884)	(575,065)
At 31 July 2007			
Building Work - Refurbishments & Capital Maintenance	4,399,526	155,000	4,554,526
Equipment	223,850	168,305	392,155
	4,623,376	323,305	4,946,681

16 ENDOWMENTS

	Specific £	General £	Total £
At 1 August 2006	342,518	204,003	546,521
Additions	4,769	-	4,769
Change in value of Endowment Asset Investments	(2,095)	(2,152)	(4,247)
Income for Year	18,104	10,596	28,700
Transferred to Income and Expenditure Account (Note 5)	(5,935)	(9,540)	(15,475)
At 31 July 2007	357,361	202,907	560,268
Representing:			
Mary Ashton Memorial Fund	3,951	-	3,951
Blandford Prize	14,549	-	14,549
Bramwell Book Prize	2,846	-	2,846
R Cannell Travel Fund	36,498	-	36,498
A M Cook Fund	18,952	-	18,952
W L Custance Bequest	32,669	-	32,669
P Elworthy Prize	308	-	308
ACG Florence Prize	1,532	-	1,532
Greenish Memorial Fund	14,955	-	14,955
Sir Harry Jephcott Fund	102,851	-	102,851
Molecular Pharmacy Appeal	9,218	-	9,218
W C Peck Prize	1,965	-	1,965
Upjohn Toxicology Prize	477	-	477
Webber Bequest	50,528	-	50,528
Wilkins Prize Fund	16,549	-	16,549
Alumni Fund	5,629	-	5,629
Annual School Lecture Fund	43,884	-	43,884
Charter Fund	-	202,907	202,907
	357,361	202,907	560,268

17 REVALUATION RESERVE

	2007 £	2006 £
Revaluations		
At 1 August	16,929	21,436
Revaluation in Year	(5,860)	(4,507)
At 31 July	11,069	16,929

NOTES TO THE FINANCIAL STATEMENTS - continued

18 INCOME AND EXPENDITURE ACCOUNT RESERVE

	2007	2006
	£	£
General Reserve		
Balance at 1 August	2,574,034	2,197,196
Surplus for the year	65,542	376,838
Total Income & Expenditure Account Reserve at 31 July	2,639,576	2,574,034

19 CAPITAL & LEASE COMMITMENTS

	2007	2006
	£	£
Capital commitments contracted at 31 July	565,000	790,000

The School has annual commitments of £103,700 under an operating lease for land and buildings expiring in two to five years.

20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Surplus after Depreciation	65,542	376,838
Depreciation (Note 9)	1,073,446	939,488
Deferred Capital Grants Released to Income (Note 15)	(575,065)	(520,669)
Investment Income (Note 5)	(144,908)	(438,056)
Interest payable	12,825	-
Movement in Stocks	(2,788)	334
Movement in Debtors	366,362	(91,686)
Movement in Creditors	560,267	(603,494)
Net Cash Inflow/(Outflow) from Operating Activities	1,355,681	(337,245)

21 RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2007	2006
	£	£
Income from Endowments (Note 16)	28,700	23,195
Income from Fixed Asset Investments (Note 5)	10,744	307,312
Other Interest Receivable (Note 5)	118,689	119,202
Interest payable	(12,825)	-
	145,308	449,709

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2007	2006
	£	£
Tangible Assets Acquired (Note 9)	(2,977,370)	(3,303,901)
Endowments Received (Note 16)	4,769	57,832
Deferred Capital Grants Received (Note 15)	651,099	1,779,295
	(2,321,502)	(1,466,774)

NOTES TO THE FINANCIAL STATEMENTS - continued

23 FINANCING

	2007	2006
	£	£
Debt due beyond a year:		
New loan repayable by 2022	500,000	-
Repayment of amount borrowed	(10,815)	-
Net cash inflow from financing	489,185	-

24 ANALYSIS OF CHANGES IN NET FUNDS

	At 31-Jul-06	Cash Flows	At 31-Jul-07
	£	£	£
Short Term Deposits - Endowment Assets	467,973	17,994	485,967
Short Term Deposits - Others	2,132,027	(367,994)	1,764,033
	2,600,000	(350,000)	2,250,000
Cash at Bank and in Hand	464,635	18,672	483,307
	3,064,635	(331,328)	2,733,307

25 ACCESS TO LEARNING FUND & OPPORTUNITY BURSARIES

Funding Council Grants of £33,173 were received during the year (£43,799 in 2005-06) and dispersed fully to students. Funding Council grants are available solely for students: the School acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

26 PENSION ARRANGEMENTS

The School participates in two defined benefit pension schemes - Universities Superannuation Scheme (USS) for academic and academic-related staff and Superannuation Arrangements of the University of London (SAUL) for other staff. The assets of the schemes are held in separate trustee-administered funds. The School is unable to identify its share of the underlying assets and liabilities of the schemes on a reasonable and consistent basis and therefore accounts for the schemes as defined contribution schemes. Fund details and major assumptions at the last valuation dates (valuations are carried out using the projected unit method): are as follows:

	USS	SAUL
Latest actuarial valuation date	31.3.2005	31.3.2005
Market value of assets	£21,740m	£982m
Proportion of accrued benefits covered by the actuarial value of the assets	77%	93%
Investment returns - past service	4.5%	5.5%
Investment returns - future service	6.2%	6.5%
Salary scale increases per annum	3.9%	4.15%
Pension increases per annum	2.9%	2.65%
Employer's contribution rate	14.0%	13.0%

The total pension costs for the year are disclosed in Note 6.

27 RELATED PARTY TRANSACTION

The School's International Officer Edwin Cox was responsible for the recruitment of overseas students. He was paid £58,368, inclusive of travel costs, in the year ended 31 July 2007 (£50,361 in 2005-06). Mr Cox's contract with the School ended on 31 October 2007. He is married to the School's Registrar