



Operating & Financial Review 2010/11

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Operating & Financial Review

The School of Pharmacy

Founded in 1842 by the Pharmaceutical Society of Great Britain to “elevate the profession of pharmacy by furnishing the means of proper instruction”, the School is a specialist institution undertaking teaching and research in pharmacy and the pharmaceutical sciences. At the time of writing, it is a constituent college of the University of London, offering degrees of the University under the authority of a Royal Charter granted in 1952.

Following a two-year Strategic Options Review which addressed options for retention of independence or merger with one of two potential partners, the School has agreed on merger with University College London (UCL). The merger will take effect on 1 January 2012.

Some of the implications of the decision and the impact of the work which supported it are addressed in the relevant sections of the OFR, below.

Some key facts...

The School

- has invested over £6m in research facilities in the past six years
- has invested over £3m in its building and infrastructure between 2008 and 2010
- employs about 125 academic and research staff and 245 staff in total
- has around 920 fte (full-time equivalent) degree students (120 studying for a PhD, 70 MSc, over 700 MPharm undergraduates and about 400 pharmacists on part-time post-registration Diploma and Masters programmes) of whom about 220 are from countries outside the UK and Europe
- had £24m turnover in 2010-11, including £8.1m in research grants and contracts

In its field, the School is one of the three highest ranked research institutions in the UK, with research centered on four areas: Drug Discovery, Formulation Sciences, Neuroscience, and Medicines Use and Health. In addition, it has a strong reputation for its undergraduate 4-year MPharm programme, well-established 1-year MSc courses in Clinical Pharmacy, International Practice & Policy, Drug Delivery, Drug Discovery and Pharmacognosy, together with a new 1-year Master of Research.

The summarised results for the year are as follows:

	2010-11 £'000	2009-10 £'000
Income	24,116	22,740
Expenditure	22,725	21,514
Surplus transferred from endowment fund	111	20
Surplus retained in general reserves	1,502	1,246

For the year ending 31 July 2011, the School has returned a surplus of £1,502k (2009/10: £1,246k) and has a strengthened balance sheet with higher cash balances and accumulated reserves of £6,941k (2009/10: £5,434k).

Income has increased by 6% in 2010/11 to £24,116k from £22,740k last year; expenditure has risen by 6% to £22,725k. This has resulted in a surplus for the year of £1,502k, £256k more than last year and pleasingly, greater than the approved budget surplus of £664k for the year. The key factors in achieving the surplus have been increases in tuition fee income, the recovery of research grant indirect costs and continued controls on expenditure and staff costs in particular.

Income

HEFCE income was reduced in 2010/11 by £83k due to a reduction in the block recurrent grant (£156k). Unlike last year, there was no Strategic Development Fund income however this was broadly offset by increased Matched Funding Scheme income of £341k. HEFCE deferred capital grants for buildings and equipment income was £1,072k up from £998k last year.

Tuition fee income has grown by £475k (9%) due to an increase in home student tuition fees and overseas student numbers.

The third area of revenue growth is in research grant income which has grown by £859k on last year. This is mainly due to an increase in revenue from UK Central Government Bodies of £189k (30%), Overseas Sources of £595k (52%) and Deferred Capital Grant release of £167k (45%). There have been decreases in grant income from Research Councils by £43k (3%) and UK Charities of £183k (9%) and smaller income reductions in UK Industry, Commerce and Public Corporations and Other Sources.

The increased indirect costs recovery of £1,165k is up by £206k (21%) on last year despite lower in-year direct Research Council expenditure. This is due to increased EU grants which provide an overhead allocation and because newer Research Council grants now include overheads using the full economic cost methodology which is more favourable than the flat percentage overhead allocation applied on older grants.

Other Operating income has increased by £110k (14%) despite a reduction in Accommodation Lettings, down by £69k due to a reduced provision required by a local Bloomsbury College in 2010/11.

Endowment and investment income has increased by £14k to £69k mainly as a result of income from interest on larger cash balances held in the year compared to 2009/10.

Expenditure

Staff costs have fallen by £250k (2%) on the previous year due to a fall in average staff numbers of 2 and a reduction of 1.5% in the average wage and salary cost of staff members. This is the result of a small number of vacancies in senior post holder positions. Early retirement and severance costs totalled £14k for 2010/11 compared to £77k in 2009/10.

In line with the School's strategic plan, there has been investment in library services, the IT infrastructure and School funded studentship. There were also additional costs arising from the work in developing the strategic options review and the subsequent decision in principal to merge with UCL. Overall operating expenses have increased in the year by £1,174k to £8,897k. The key movements were in research grant expenditure (an increase of £504k due to increased activity), School funded consumables and laboratory expenses (an increase of £72k), Library and Information Service, books and periodicals (an increase of £215k), School studentships, prizes and waiver of fees (£187k), repairs and general maintenance (an increase of £152k) and other professional Fees (£113k) with some lower spending in minor equipment (a decrease of £110k).

Depreciation costs increased by £289k for 2010/11 and reflect completed CIF funded projects, refurbishments and investment in research equipment and the IT infrastructure.

Overall, underlying operating expenses, after excluding the £504k increase in grant funded research expenditure, has risen by 8.7% on the previous year and are in line with the approved budget for the year.

Balance Sheet

Fixed asset investments are held in fixed interest stock which has increased by £53k to £175k in 2010/11.

Tangible assets carrying value has remained broadly level at £12,281k (2009/10: £12,304k) with additions amounting to £2,075k (2009/10: £2,609k). Capital building additions totalled £876k in 2010/11, the main items being the Computer Unit, JCR refurbishment and environmental and carbon reduction projects. £1,199k of equipment (including further IT infrastructure investment) was purchased in the year.

Endowment assets stand at £479k (2009/10: £655k) down by £176k in the year due mainly to a reclassification and transfer of £73k as a deferred capital grant and expenditure of £117k.

Debtors have increased by £457k to £1,086k (2009/10: £629k). This is due to an increase in the research grant and contracts balance of £226k, mainly the result of a large equipment purchase incurred in advance of funds being received from the funder. Other debtors, prepayment and accrued income has risen by £230k, the result of additional accrued income from a teaching programme and higher prepayments on rent and business rates.

Short-term deposits and cash balances have risen by £629k in the year, the result of cash generation from the surplus for the year. This increase is held mainly in short-term deposits which have increased by £577k to £7,502k (2009/10: £6,925k).

Creditors falling due within one year have increased by £139k to £6,836k (2009/10: £6,698k). This is mainly attributable to the £336k increase in research grant and contract creditors netted against a £271k decrease in accruals and deferred income.

Deferred capital grants total £8,569k (2009/10: £9,108k) down £539k as funds of £1,670k were released to match associated depreciation in the year. Cash received in the year was £1,131k (2009/10: £2,423k), £1,292k less than last year as the current CIF funding round came to an end.

Overall the balance sheet shows growth in total net assets from £15,197k to £15,988k. Net current assets are now £3,054k compared to £2,115k in 2009/10.

Cash Flow

As at 31 July 2011 the School's short-term deposits and cash at bank and in-hand amounted to £9,190k compared to £8,739k at 31 July 2010.

Overview of 2010-11 by Professor Anthony Smith, Dean

1 The Operating Environment

The year 2010/11 has been a momentous one for higher education where we are beginning to get a sense of the scale of change unprecedented over the last 50 years, itself set against the background of a deteriorating global economic outlook. The long-awaited Browne Review on higher education was published and recommended lifting completely the cap on tuition fees at the same as requiring institutions to make an increasingly larger contribution to government funds with higher fees. The Government's response and the subsequent White Paper took elements of the Browne Review but have raised tuition fees to between £6000 and £9000 and at the same time withdrawn all state funding for teaching except for some expensive-to-deliver subjects such as laboratory based disciplines and clinical medicine. Fees will be paid upfront by government and graduates will repay these over up to 30 years once their income exceeds £21,000. From 2012, the burden of the cost of higher education will shift almost entirely from the state to the individual. Whilst it is impossible to predict with any certainty how these changes will affect students' appetite for higher education, the long term future for postgraduate study is even less clear as postgraduate students won't have access to the student loan book. The outcome for research funding was better with an annual flat cash settlement of the period of the Spending Review. Whilst welcome, this does equate to a 10 per cent real terms reduction of the period. Less welcome is the 60 per cent reduction in capital funding over the period.

Changes in the NHS and how the healthcare workforce is educated and trained was also signaled in white papers throughout the year. Whilst the pace of change to the organization of the NHS has been slowed to enable the first and subsequent phases of the Future Forum listening exercises to take place, it is encouraging that pharmacy education and training will still be strongly represented as Medical Education England evolves into Health Education England. The Modernising Pharmacy Careers Programme Board work to develop proposals for the reform of pharmacy undergraduate and pre-registration education and training, co-led by the Dean, have been accepted and endorsed by Medical Education England and forwarded as formal advice to the Secretary of State for Health. A formal response to the proposals is expected in early 2012. The School was particularly pleased that Professor Ian Bates (Professor of Pharmacy Education) was appointed as the Royal Pharmaceutical Society's nominee on to Medical Education England. He succeeded Professor Nick Barber also from the School who was the nominee of the predecessor body, the Royal Pharmaceutical Society of Great Britain (RPSGB). The RPSGB successfully demerged in September 2010 into the new regulatory body, the General Pharmaceutical Council (GPhC) and the professional leadership body, the Royal Pharmaceutical Society (RPS). The Dean, on completing a second two-year term as Chair of the Council of University Heads of Pharmacy (CUHOP), became the CUHOP nominee on the RPS Assembly in July 2011.

Finally, planning international student numbers has been severely affected by uncertainty generated by the UK Borders Agency in eligibility for student visas. The situation looked particularly problematic part way through the year, when there appeared to be no opportunity for international students to work after graduation – an important element for our Master of Pharmacy graduates wishing to undertake their pre-registration training in Great Britain and our Master of Science students who see the opportunity to work here for a period after graduating important both for their career development and to re-pay loans for their education.

Strategic Options Review and Decision on Merger

In September 2009 the Council undertook some high level scenario planning, trying to understand the implications for the School of the difficult economic climate which was then anticipated and commissioned a Strategic Options Review to explore the best future for the School in terms of its long-term academic and financial sustainability.

The consultation stage of the SOR ran through the spring and summer of 2010 and involved all of Council, the University, heads of relevant colleges of the University, students and about 50% of the staff. Two prestigious institutions engaged in detailed discussions with the School and, by October 2010, after some months of careful evaluation, the Council was able to identify University College London as the most appropriate environment for the School's long-term sustainability, should merger eventually prove to be the best decision for the future.

The two options of independence and merger were then considered in detail, through discussions with colleagues, students, professional leaders and other stakeholders. Colleagues from UCL, both the most senior academic and institutional leaders and those who had experienced the merging-in of their own once independent institutions gave staff and students and Council members invaluable insight into "life inside UCL". Meanwhile the surrounding environment worsened sharply as the scale and severity of public funding reductions and policy uncertainties for Higher Education far exceeded anything anticipated at the start of the process. The twin concerns of academic and financial sustainability continued to frame the School's examination of the options.

By May 2011 Council was content that it had sufficient information for its decision and agreed that the School's best long term interests lay in merger with UCL.

In July, Council agreed the legal and constitutional mechanisms that would give force to its decision and work continued to complete due diligence enquiries for both sides to the agreement. At successive Special Meetings held in September and October, the Council approved resolutions giving effect to the merger. The legally binding Transfer Agreement was signed and sealed by both institutions.

The merger will become effective on 1 January 2012 with transfer of assets from the School to UCL, and the surrender of the Royal Charter will follow.

2 Research

The research funding environment has been difficult, reflected for example in the Research Councils cautious approach to grant awards while not knowing what their own allocations would be. Despite the harsh climate there have been notable successes exemplified by Dr Mala Shah (Department of Pharmacology) securing a 1.4 million Euro Starting Independent Researcher Grant from the European Research Council.

Our preparations for the 2014 Research Excellence Framework have begun in earnest with establishment of a REF Taskforce led by Professor Stephen Neidle. This group is reviewing research outputs across the School and focusing particularly on examples of research impact which is a new indicator of research quality in the REF exercise. It is particularly encouraging to see research from the School not only significantly advancing the discipline but being used to develop policy and new healthcare practices. Notable is the launch in October 2011 of the Department of Health's New Medicines Service based on the research of Dr Sarah Clifford, Professor Rob Horne and Professor Nick Barber.

It has also been encouraging to see already existing research collaborations between the School and UCL strengthen. This year, Professor Steve Brocchini from the School was a key contributor to a successful £4.5 million bid to establish an Engineering and Physical Sciences Research Council Centre for Innovative Manufacturing in Emerging Macromolecular Therapies.

3 Education

This year saw three students enroll on the School's new Master of Research (MRes) programme. This programme places research skills alongside a substantial research project undertaken in one of the School's leading laboratories. A major reform of the Master of Pharmacy programme commenced with a new approach to electives and an innovative Wiki-based project to develop a student-led pharmacopoeia. Late in the year we welcomed Professor Jane Portlock to the School who will take a key leadership role in the MPharm reform.

Full-time equivalent (fte) students	2010-11	2011/12 @9 November 2011
MPharm	734	731
MSc	93	69
MRes	3	4
PhD	91	103
Total (fte) students-level	921	907
Of which, total international students	220	219

Undergraduate

The School continues to recruit strongly to the MPharm with 1529 applicants for 195 places in 2011 (1484 in 2010, 1400 in 2009, 1336 in 2008). An increase in good quality applicants was to be expected this year ahead of the introduction of full-cost fees.

The policy of interviewing all promising UK-based candidates is clearly effective and the programme faces no real retention issues. However, growing competition from other HEIs, low growth in the national pool of qualified applicants and the inevitability of steeply increased fees in the future must be addressed. A new emphasis on pro-active Schools Liaison has in a small way started to extend the School's profile beyond the inner-M25 region from which it currently recruits. The Recruitment Strategy was re-written in 2009 and its implementation has seen more pro-active engagement and better coordinated liaison with schools, colleges and staff groups. A new Prospectus and much improved web-site has also supported student recruitment and, crucially, help to raise the profile of the subject in science schools and colleges. There is some anecdotal evidence of a "UCL effect" with positive input from applicants about the School's emerging plans, and it will be interesting to see the effect on quality and quantity of applications received in 2011/12 for entry 2012.

Postgraduate

From enquiries about the programmes, and the response of visitors to recruitment events, it is clear that interest in our four long-established MSc programmes remains strong. However, the majority (typically over 70%) of our MSc students are international and recruitment in 2011 was significantly affected by the combined impact of UKBA policies and global recession. The School validated a new Master of Research (MRes) degree in 2010 which graduated its first two students in summer 2011.

4 Student Experience

Improvement to the Student Experience is one of the School's agreed priorities.

The major capital investment projects of recent years were designed to improve some of the key educational and social facilities. The £0.75m Library refurbishment has provided an entirely new working environment with usage up by 30% on the previous year. The refurbishment of the Square Lounge and the JCR has greatly improved the appearance of the ground floor while giving students more adaptable social and group working environments.

Student feedback on the IT suite and IT provision in the School generally was positive on a survey undertaken in summer 2011 and the NSS results for 2010-11 showed a 19% improvement in the score for Learning Resources.

5 International links and liaison

The School continued to pursue an aggressive policy of international engagement through visits and receiving visitors to the School. International undergraduate and postgraduate recruitment continued to focus on our key countries and areas: Canada, East Africa, the Middle East and SE Asia. We have also received delegations from the Pharmacy Council of India, XuZhou Medical College (PR China) and Fudan University in Shanghai (PR China). The latter was part of a high level delegation visiting UCL.

6 Knowledge transfer

Over the years of HEIF funding (Higher Education Innovation Fund) the School has had considerable success in commercialising its research outputs, and has consistently derived a significant proportion of its research income (15-20%) from industry sources. The HEIF 4 strategy was to focus on the core technology transfer activities of patenting inventions, licensing and commercial collaborations. However, due to the imposition of uniform higher eligibility thresholds which disadvantaged small specialist institutions, the School lost all of its HEIF funding from 2011.

7 Capital Projects

The School had fully expended its 2008-11 CIF funding by the start of the 2010-11 academic year and all of the planned major capital projects had been completed.

Investment continued, however, in improving the School's environmental performance. In January 2010, with support from HEFCE's Strategic Development Fund a joint Bloomsbury project on environmental management was launched with the School as a founder member. With a shared post of environmental manager, the School is one of four Bloomsbury colleges undertaking a three-year programme of works towards achieving the International Standard ISO14001 which informs and benchmarks organisations' environmental impact controls. The IS itself is designed for organisations such as ours where the small scale and limitations of the resource are a handicap to development. Certification can be achieved in stages through a British Standard BS85555 and the School has successfully completed the first of five stages.

Principal Risks and Uncertainties

Public Funding

At the time of writing the full implications of various policy initiatives for HE are still unknown. The sector is experiencing a period of steep decline in its funding base and the effective transfer of costs from the state to the individual without certainty on the impact on participation after 2012 or funding policies from 2012/13. The direction of travel is clear but little of the detail.

The School is now fully absorbing the financial impact of the 2008 decision to withdraw funding from students with an Equivalent or Lower Qualification which had, without notice, removed a sixth of the school's UK undergraduate funded numbers. The safety-netting designed to soften the immediate impact of the £600,000pa cut has now expired.

Salary and Pensions

In common with the rest of the sector, the School had to provide for significant salary uplifts for all staff in 2008-09, and for a 2% increase in the employers' pension contribution in 2009, both of which of course continue to impact the potential surplus, going forward. The School remains committed to national pay bargaining which this year led to a 0.5% increase and, at the time of writing, appears to be deadlocked in relation to 2010-11. Salary costs represent 52% of expenditure.

The School is an exempt charity under the terms of the 1993 Charities Act.

In setting and reviewing the School's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

General principles of public benefit¹

"Principle 1: There must be an identifiable benefit or benefits.
It must be clear what the benefits are.
The benefits must be related to the aims.
Benefits must be balanced against any detriment or harm.

Principle 2: Benefit must be to the public, or section of the public.
The beneficiaries must be appropriate to the aims.
Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions; or by ability to pay any fees charged.
People in poverty must not be excluded from the opportunity to benefit.
Any private benefits must be incidental."

Delivery of public benefit from the Mission and funding purposes

The School's motto *Salutifer Orbi* (bringing health to the world) sets the meaningful context for the research, teaching and professional development it undertakes, all of which directly or indirectly is for public benefit. The mission and aims, approved by Council for the Corporate Plan² published in 2008 state this directly:

Mission:

To undertake research, education and policy development that benefits patients and healthcare practice, medicines discovery and development and society.

Strategic aims:

To provide innovative, professionally relevant taught courses;
To undertake research at the highest international level and facilitate its application to healthcare practice, medicines discovery and development, and society;
To understand and influence the thinking and actions of our global collaborators, policy makers and health and pharmaceutical sector stakeholders;
To develop a modern organisation that is ethical, efficient, adaptable and financially secure.

¹Charity Commission Guidelines http://www.charity-commission.gov.uk/charity_requirements_guidance/

²http://www.pharmacy.ac.uk/fileadmin/documents/AboutUs/corporate_plan.pdf

Delivery of public benefit through education and training

The School's core teaching activity is the training and development of pharmacists, the majority of whom will spend their careers in front-line patient centered health care delivery. In 2010-11 over 700 undergraduates were enrolled to study for the professional degree required for qualification as a Pharmacist. Over 150 of them graduated successfully in 2011. In 2010 100% of those eligible to work entered employment in community or NHS pharmacy-based Pre-Reg posts, or within the pharmaceutical industry, and we would anticipate a similar result for the 2011 cohort.

In addition, around 400 Hospital Pharmacists were engaged in continuing professional development leading to the certificate, diploma or MSc in Pharmacy Practice. Some 8 pharmacy technicians studied for the certificate in Medicine Management and another 25 for the Foundation Degree in Pharmacy offered jointly with a specialist Adult Education provider and local FE College.

Ninety three MSc students studied for higher level awards in 2010/11, 75% of whom were international students, predominantly from the developing world. Twenty two of them, all registered pharmacists in their own country, were following a course of study in Clinical Pharmacy, International Practice & Policy, designed to enable them to develop pharmacy services in their own countries.

The MPharm is accredited by the regulatory body (formerly the Royal Pharmaceutical Society of Great Britain and, since September 2010 the General Pharmaceutical Council) that regulates the professional competence of practicing pharmacists, and students have thus always been prepared for the demanding requirements of a health care profession. Last year, the School also developed Fitness to Practice regulations reinforcing the behavioural and ethical standards expected of students as they prepare for careers working directly with patients.

Delivery of public benefit through research

Over £2m (30%) of the School's research funding is granted by medical charities for work in fields such as cancer drug discovery, development of medicines to treat brain diseases including tumours and Parkinson's disease. In addition, Research Council, European and industrial funding supports work on cancer, pediatric drug development, patient adherence to their medication regimes (including HIV), and policy work for example to support safer and more effective use of medicines in care homes,

We participate with five other colleges of the University of London in jointly funding the London International Development Centre whose focus is cross-disciplinary research, training and building local capacity on challenges for the developing world outlined in the Millennium Development Goals in areas such as climate change, HIV/AIDS, emerging diseases, food and water security.

Delivery of public benefit through policy and professional leadership

Several members of staff are engaged in national and international activities to develop public health policy and to influence governments and NGOs in their support for improving the development and use of medicines.

Access to Opportunity

We encourage applications from all those with the motivation and academic ability to thrive at the School, whatever their background, and we interview all UK applicants and indeed all the EU and international applicants we can reasonably reach. 90% of the UK undergraduates registered in 2010/11 were of ethnic minority origins; the family home for 40% of them is deemed to be inner city; some 47% were in receipt

of income-related bursaries and a further number received additional discretionary support through the School's Access to Learning Fund.

Through its certificates/diplomas and foundation level work, the School works collaboratively with other HE and local FE providers to create evening and part-time access to study for students who would not otherwise be able to access opportunities to develop their professional skills and improve their engagement with health care delivery.

Environmental sustainability

In meeting its responsibilities as part of UK higher education (recognising its shared responsibility for delivery of the carbon reduction targets agreed by the sector) and society more generally the School is actively engaged in managing and, over time, reducing its environmental impact.

Since 2009 we have:

- Commissioned a detailed study of our estate to identify where interventions can be made to reduce the carbon footprint of the building;
- Approved a Carbon Management Policy and its Operational Plan;
- Committed to carbon reduction arising from the Climate Change Act 2008, notwithstanding that the School's small size could arguably have given it exception from this stage of implementation of the legislation;
- Signed the UUK/Guild HE University Leaders' commitment to environmental sustainability.
- Recorded progress towards targeted improvements in a number of key EMS data returns: for example in total tonnage of carbon production per staff and student, in waste recycled, in absolute consumption of gas, electricity and water
- Participated in the Joint Bloomsbury Environmental Management Project and achieved stage 1 (of 5) accreditation towards the International Standard ISO14001 and British Standard BS85555.

Council Membership

There were several membership changes during the year including the retirement of Mr James Gemmell, a long-standing member and former Treasurer in July 2011. Ms Mollie Bickerstaff resigned in November 2010. Mr Julian Morris retired in December. Professor Jonathan Kydd succeeded Sir David Watson as a University of London nominee and Professor Alex Thomson replaced Professor David Thurston as an Academic Board representative. Two co-opted members, Mr Simon Whale and Ms Sheelagh Douglas were obliged to stand down so that Council numbers participating in votes was within the Charter limitations. Mr Whale was subsequently re-appointed to a vacant seat and Ms Douglas as External Chair of the Audit Committee.

Statement of Primary Responsibilities

Council formally approved its Statement of Primary Purposes in July 2009. It is attached as an appendix to the OFR and is available on the School's website at http://www.pharmacy.ac.uk/fileadmin/documents/Council/statement_of_primary_responsibilities.pdf

The Statement defines the Council's key responsibilities and is accompanied by an internal document on how, in detail, those responsibilities are discharged by individuals and through School structures.

Financial Strategy

A formal Strategy was approved in April 2009. Although written before the current economic downturn had really taken hold, it is expressed in high level and strategic terms around principles which still hold true. The Strategy is of course designed to address and support the School's strategic aims. Its principal points are addressed to:

- The long-term sustainability of the School and matching resources with objectives;
- Maintaining productive capacity to meet current objectives;
- Financing development and investment;
- The evaluation of strategic alternatives and managing risks;
- Integrating financial and other corporate strategies.

The Strategy also addresses the main operational issues which need to work to their absolute maximum effectiveness in order to support the school through the very difficult years ahead.

The merger with UCL effectively over-rides this strategy although its principles remain sound.

Investment Management

The School took a number of important steps in relation to its investments after 2008-09 with investigation into the capital value and accrued income of the Endowed Funds and into the intentions of the donors. This led to the "unlocking" of around £80,000 to be used mainly in support of research studentships. In November 2008, Council appointed JM Finn Stockbrokers to manage the School's investment portfolio, and in November 2009 and 2010 formally reconfirmed the appointment of the Investment managers. Their work for the School was concluded in October 2011 in preparation for the transfer of assets.

Effectiveness Review

The Council had agreed during the year that an Effectiveness Review of its operations would be held during 2009-10. The School has not previously met this element of the CUC Code and Council had wished to defer the review for a further year until it had

moved through the recent period of significant “churn” in membership since the Chair, Secretary, and five of the external members joined the Council within the past two years. This plan was effectively overtaken by events in the Options Review and, with HEFCE’s agreement, Council once again deferred the Review.

Charter and Statutes

The Governance & Nominations Committee considered and largely endorsed draft new Charter and Statutes in spring 2009 and reported their progress to Council. The Academic Board also approved proposals affecting its representation on Council. Useful input and broad support was also received from officers of the Privy Council and the Charity Commission and preparation of final drafts for full consideration and approval was on schedule for 2010. However, the work was paused during 2010 as the Strategic Options Review got underway and has now been overtaken by the outcome, which will include the surrender of the Royal Charter in spring 2012.

Risk Management

In terms of internal organisation, the Dean is supported by an Executive Committee which meets monthly in term time, and weekly when business requires it. It comprises the Chief Operating Officer & Secretary to Council, the heads of department and other senior staff. As well as addressing the targets of the Corporate Plan, the Executive Committee actively reviews risk management at most of its meetings and routinely updates the Risk Register. A thorough review was undertaken in March 2011 and significant changes made to the register to reflect School-specific and sector risks. The revised Register was subsequently considered by the Audit Committee and the Council in April.

Risk and its mitigation was fundamental to the detailed work of the Strategic Options Review.

Internal Auditors review the control environment and arrangements for risk management each year and in 2011 gave an opinion of “Full Assurance” in this area.

Key Performance Indicators

The Strategic Options Review of the past 18 months included an extensive analysis of comparative KPIs to guide the Council’s decisions on merger or independence. Two key documents, a Partner Evaluation published in October 2010 and the final *Our Future* document of May 2011 both used the CUC KPI structure to examine potential impacts on Student Experience, Teaching and Learning, Research, Knowledge Transfer, Financial Health, Estates and infrastructure, Staff, Governance, leadership and management. The results informed and evidenced the two “super KPIs” of Institutional Sustainability and Academic Profile & Market Position.

Corporate Governance Statement: in place throughout 2010-11

1. The School of Pharmacy conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and within the guidelines expressed in the Guide for Members of HE Governing Bodies in the UK (Committee of University Chairs, 2009).
2. The School is a constituent member of the University of London. It is also an independent corporation, whose legal status derives from a Royal Charter originally granted in 1952. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.
3. The School is an Exempt Charity and has no related charities.
4. The Council is the body responsible for the finance, property, investments and general business of the School, and for setting the general strategic direction of the institution. It has a majority of members from outside the School, from whom its Chair, Vice-Chair and Honorary Treasurer must be drawn. The external members include up to eight co-opted members, one member nominated by the Royal Pharmaceutical Society and two nominated by the University of London. Members also include representatives of the staff of the School and the student body. None of the members receive any payment for the work they do as members of Council, apart from the reimbursement of expenses to external members. The Secretary maintains an annually-updated Register of Interests of members and senior School Officers, which also records members' engagement with other charities.
5. The Council meets four times a year and receives reports and recommendations from, inter alia, the following Committees: Academic Board, Audit, Estates Strategy, Finance, Governance & Nominations and Remuneration, all of which are formally constituted.
 - The Academic Board is established by Statute and is the academic authority of the School. Its members are drawn entirely from the staff and student body. All other committees of Council have a lay majority.
 - The Audit Committee's function is to advise the Council on adequate and effective risk management, control and governance, on the School's arrangements for assuring the quality of data returned to HEFCE and other funders, and on the economy, effectiveness and value for money of the School's activities. Its remit follows the HEFCE model. It is chaired by a lay member of Council.
 - The purpose of the Estates Strategy Committee is to undertake the strategic direction and oversight of major estates projects and to propose financial, legal and logistical solutions to Council. It has a lay majority membership, with staff representation, and is chaired by a lay member of Council.
 - The Finance Committee advises the Council on the financial policy and management of the School. It is chaired by the Honorary Treasurer and has a dominantly lay membership.
 - The Governance & Nominations Committee advises the Council on matters of good governance, the conferment of honorary titles, and on the Council's own membership. It is chaired by the Chair of Council.
 - The Remuneration Committee recommends to Council the remuneration of senior staff. The Dean is the only staff members: all others are lay members of Council.

Audit Arrangements

6. The School's Audit arrangements meet all the requirements of the HEFCE Audit Code of Practice³, the revised Higher Education Statement of Recommended Practice, and the good practice guidelines expressed in the Handbook for Members of Audit Committees in Higher Education Institutions.⁴
7. The remit and operations of the Audit Committee conform to the HEFCE model remit and Code, and the CUC Handbook. The Committee met on four occasions during 2009-10.
8. Internal Audit is provided by the specialist HE Consortium, the Kingston City Group which has now completed its third full year since appointment, in August 2007. The Internal Auditors conducted 10 reviews during the year, grouped into four core areas, three non-core, risk management, IT assurance, Data Quality and Value for Money. The Internal Auditors submitted reports on the outcome of each review, commenting on the adequacy and effectiveness of the School's systems of internal control and recommendations for improvement.
9. External Audit is provided by Mazars LLP, first appointed by Council in 2003-04, and reappointed for a further two years after a full competitive selection process conducted in spring 2009.
10. The Executive Committee (the School's senior management team) periodically reviews the Risk Register, focusing either on single risks in succession or whole groups. The Audit Committee reviews the Register as a whole at least once in each year and in March 2011 accepted the Executive Committee's extensive revisions. Risk management is fully considered in the development of the School's Corporate Plan and underpinned the merger decisions of 2010-11.
11. The Council is of the view:
 - that there is an adequate and ongoing process for identifying, evaluating and managing the School's significant risks
 - that it has been in place for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts
 - that it is regularly reviewed by the Audit Committee on behalf of the Council
 - that it accords with the HEFCE Audit Code of Practice.

Responsibilities of the Council

12. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the School, and which enable it to ensure that the financial statements are prepared to meet relevant accounting standards and the additional requirements of the Financial Memorandum agreed with the Higher Education Funding Council for England.
13. In having the financial statements prepared, the Council requires that:
 - suitable accounting policies are selected and applied consistently
 - judgments 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
 - financial statements are prepared on a going concern basis

³Audit Code of Practice, HEFCE Model Financial Memorandum, July 2010

⁴Handbook for Members of Audit Committees in Higher Education Institutions, CUC 2008

14. The Council has taken reasonable steps to:
 - ensure that funds received from HEFCE, Research Councils, Charities and other sources are used only for the purpose for which they have been given
 - ensure that there are appropriate financial and management controls in place to safeguard public funds and donated funds
 - safeguard the assets of the School and to prevent and detect fraud
 - secure the economical, efficient and effective management of the resources and expenditure of the School

15. The School's system of internal control, which is designed to discharge the responsibilities set out above, have been designed to follow best practice and include :
 - clear definition of the responsibility of, and authority delegated to, senior staff and officers
 - comprehensive and up-to-date Financial Regulations, detailing financial controls and procedures, approved by the Council
 - an Internal Audit service, appointed by the Council with a long term and annual programme of work approved by the Audit Committee, endorsed by Council, whose head provides the Council with a report on internal audit activity and an opinion on the adequacy and effectiveness of the School's system of internal control
 - regular reviews of financial performance against forecast
 - regular review of key risks, evaluation of likelihood and impact and of mitigation of financial and other risks
 - clearly defined procedures for the approval and control of expenditure, with investment decisions involving capital or recurrent expenditure being subject to formal review and approval by Council.

16. The Council has satisfactory assurance that the School:
 - has a robust and comprehensive system of risk management, control and corporate governance
 - has regular, reliable, timely and adequate information to monitor performance and track the use of public funds
 - plans and manages its activities to remain sustainable and financially viable
 - uses public funds for proper purposes and strives to achieve good value for money from public funds
 - complies with the mandatory requirements relating to audit, set out in our Audit Code of Practice and our annual accounts direction
 - has effective arrangements for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies has an effective framework, overseen by its Academic Board, to manage the quality of learning and teaching and to maintain academic standards
 - considers HEFCE's assessment of its risk status, engages with HEFCE during the risk assessment process and takes action to manage or mitigate the risks we agree upon.

17. In so far as the Council is aware:
- members of Council have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information and
 - there is no information relevant to the audit of which the School's auditors are unaware.
18. The Council is responsible for the School's system of internal control and or reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance of effectiveness.

Future arrangements

Following the completion of the merger arrangements, notably the Transfer of Assets on 1 January 2012, the School will become a Division within the Faculty of Life Sciences and will be known as the UCL School of Pharmacy.

The Council will remain in existence for some months into 2012, to approve the final accounts and their submission to HEFCE. The surrender of the Royal Charter will be arranged during this period and the formal winding up of the School will date from that occasion..

Ms M F Boylan
Chief Operating Officer and Secretary to Council
November 2011

Members of Council 1 August 2010 to 1 November 2011

Mr Shahzad Ahmed	Student Union Joint President 1.9.10- 31.8.11
Dr Susan Bews*	
Ms Mollie Bickerstaff*	Resigned 9.11.2010
Lord Tim Clement-Jones+#	Chair
Miss Amy Chow	SU Joint President from 1.9.11
Mr Jeremy Cullen	
Mr Ahmed El-Damanawi	Student Union Joint President 1.9.10- 31.8.11
Ms Sheelagh Douglas*~	1.12.10 – May 11
Dr Simon Gaisford	
Mr James Gemmell*	Retired 31.7.11
Ms Helen Gordon+	from 1.11.10
Mr Terry Hanafin*	
Mr Steve Harris+	
Professor Rob Horne+	
Professor Jonathan Kydd+	from 1.1.11
Professor Quintin McKellar#	
Mr Julian Morris	Retired 31.12.10
Dr Brian Pearce+	
Mrs Jane Ross+	Treasurer
Mr Mohamed Sherif	SU Joint President from 1.9.11
Professor Anthony Smith+#	Dean
Mr Ashok Soni+	Vice Chair
Professor Kevin Taylor+	
Professor David Thurston+	Retired 31.3.11
Professor Alex Thomson	from 1.4.11
Mr Lincoln Tsang	
Sir David Watson	Retired 31.12.10
Mr Simon Whale~	1.9.10 – May 11 and from 1.8.11
Dr Mire Zloh	
Ms Maureen Boylan	Secretary

~ appointed members but stood down from May 2011 due to limitations on voting members

Members of Statutory Committees

+ Finance Committee #Remuneration Committee * Audit Committee

External Members of the Audit Committee

Mr Andrew Dyer from 01.10.2010

Mr Brian Goodban from 01.11.2009

Ms Sheelagh Douglas was a Council member of the Audit Committee from 1.11.2010 and appointed as External Chair from 1.08.2011

Statement of Primary Responsibilities⁵

The primary responsibilities of the Council are:

- To approve the mission and strategic vision of the School, and its long-term academic and business planning, and to promote and safeguard the good name and values of the School
- To appoint the Dean and Secretary to Council. To delegate appropriate authority to the Dean as Chief Executive of the institution for the academic, corporate, financial, estate and personnel management of the School.
- To ensure financial probity through the establishment and monitoring of systems of audit, control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest.
- To establish processes to monitor the effective performance of the School against sector-wide benchmarks and ensure that these meet the needs of stakeholders; to evaluate the performance of the Council itself.
- To conduct its business in accordance with best practice in higher education, corporate governance and public life.
- To be the employing authority for staff employed by the School and to establish a human resources strategy.
- To be the principal financial and business authority of the School, to ensure that proper accounts are kept, to approve the annual budget and financial statements and to have overall responsibility for the School's assets, property and estate.
- To be the School's legal authority and as such ensure that systems are in place to meet the School's legal obligations, including those arising from contracts and other legal commitments made in the School's name.
- To make such provision as it thinks fit for the general welfare of the student body, in consultation with the Academic Board
- To act as trustee for any property, legacy, endowment bequest or gift in support of the work and welfare of the School
- To ensure that funds provided from HEFCE and other funders are used in accordance with the terms of the Financial Memorandum and/or the purposes for which they were provided

⁵Approved by Council 2 July 2009

Financial Statements

Independent Auditors' report to the Council of The School of Pharmacy, University of London

We have audited the financial statements of The School of Pharmacy, University of London for the year ended 31 July 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 directors and auditors

As explained more fully in the Statement of Corporate Governance set out on pages 17 – 20, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with Clause 14 of the Charter and Statutes of the School and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Independent Auditors' report to the Council of The School of Pharmacy, University of London cont.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the institution's affairs as at 31 July 2011 and of the School's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

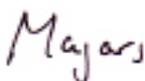
In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the institution.



Mazars LLP
Chartered Accountants
and Registered Auditors
Tower Bridge House, St Katherine's Way,
London, E1W 1DD

24 November 2011

Statement of Principal Accounting Policies

1. 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 for further and higher education 2007 and with applicable Accounting Standards.

2. Going concern and the merger with UCL

The accounts are presented on a going concern basis with activities and operations of the School continuing under the auspices of UCL from the 1 January 2012. The School's assets and liabilities at book value will transfer to UCL at this date.

3. 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.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Endowment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

4. 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 year 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 2011 was £71,440,800.

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.

Depreciation Rates

- Molecular Pharmacy Extension (lower three floors) - 2.5% straight line
- 21 Russell Square – 2% straight line
- Other major building works – 5% straight line
- Major capital expenditure on long term maintenance - 5% straight line
- Laboratory refurbishment - 10% straight line.

Statement of Principal Accounting Policies cont.

5. 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.

6. Investments

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.

7. 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.

8. Maintenance Costs

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

9. 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 25. The School also participates in the Federated Superannuation Scheme (FSSU). At 31 July 2011, 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.

10. 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.

11. 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.

Statement of Principal Accounting Policies cont.

12. Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. 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.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are included in the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

13. Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Income and Expenditure Account for the year ended 31 July 2011

	Note	2011 (£)	2010 (£)
INCOME			
Funding Council Grants	1	9,563,374	9,646,449
Academic Fees and Support Grants	2	5,483,856	5,008,385
Research Grants and Contracts	3	8,130,357	7,271,485
Other Operating Income	4	869,441	758,681
Endowment and Investment Income	5	69,023	54,847
		24,116,051	22,739,847
EXPENDITURE			
Staff Costs	6	11,729,030	11,979,187
Depreciation	9	2,098,827	1,810,191
Other Operating Expenses	7	8,897,201	7,723,475
Interest payable on loans not wholly repayable within five years		-	828
		22,725,058	21,513,681
Surplus on continuing operations after depreciation		1,390,993	1,226,166
Surplus transferred from accumulated income in endowment funds	15	111,191	20,280
Surplus for the year retained within general reserves	17	1,502,184	1,246,446

The above results relate wholly to continuing operations.

Balance Sheet as at 31 July 2011

	Note	2011 (£)	2010 (£)
FIXED ASSETS			
Tangible Assets	9	12,280,669	12,304,538
Investments	10	174,857	122,078
		12,455,526	12,426,616
ENDOWMENT ASSET INVESTMENTS	11	478,833	655,002
CURRENT ASSETS			
Stocks		11,884	19,471
Debtors	12	1,085,514	629,378
Short Term Deposits		7,502,417	6,924,579
Cash at Bank and In Hand		1,290,202	1,239,414
		9,890,017	8,812,842
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(6,836,039)	(6,697,529)
NET CURRENT ASSETS		3,053,978	2,115,313
TOTAL ASSETS LESS CURRENT LIABILITIES		15,988,337	15,196,931
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank Loan		-	-
NET ASSETS		15,988,337	15,196,931
DEFERRED CAPITAL GRANTS	14	8,568,816	9,107,928
ENDOWMENTS			
Permanent	15	295,579	464,589
Expendable	15	183,254	190,413
		478,833	655,002
RESERVES			
Revaluation Reserve	16	24,492	19,989
Income and Expenditure Account	17	6,916,196	5,414,012
		6,940,688	5,434,001
TOTAL		15,988,337	15,196,931

Approved by Council on 24 November 2011, and signed on its behalf by:

Chair of Council

Dean

Treasurer

Secretary to Council

Cash Flow Statement for the Year ended 31 July 2011

	Note	2011 (£)	2010 (£)
Net Cash Inflow from Operating Activities	19	1,440,966	2,025,218
Returns on Investments and Servicing of Finance	20	69,023	54,019
Capital Expenditure and Financial Investment	21	(1,059,201)	(119,691)
Financing	22	-	(271,391)
Cash Inflow before Use of Liquid Resources		450,788	1,688,155
Management of Liquid Resources		(400,000)	(1,330,000)
Increase in Cash	23	50,788	358,155

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2011 (£)	2010 (£)
Increase/(Decrease) in cash in the year		50,788	358,155
Increase in short term deposits		400,000	1,330,000
Change in debt		-	271,391
Change in Net Funds		450,788	1,959,546
Net Funds brought forward		8,739,414	6,779,868
Net Funds at 31 July		9,190,202	8,739,414

Statement Of Total Recognised Gains And Losses for the year ended 31 July 2011

	Note	2011 (£)	2010 (£)
Surplus on continuing operations after depreciation		1,390,993	1,226,166
Appreciation of Endowment Asset Investments	15	1,669	3,894
Endowments received in the Year	15	6,348	67,181
Unrealised Gain on Revaluation of Investments	16	4,503	5,963
Total Recognised Gains relating to the year		1,403,513	1,303,204

Notes to the Financial Statements

1	FUNDING COUNCIL GRANTS	2011 (£)	2010 (£)
	Block Recurrent Grant	7,865,707	8,022,479
	Specific Grants:		
	Higher Education Innovation Fund	284,028	287,798
	Strategic Development Fund	-	168,094
	Matched Funding Scheme	341,319	170,495
	Deferred Capital Grants Released in Year:		
	Building Works - Depreciation (Note 14)	641,512	611,728
	Equipment and Furniture - Depreciation (Note 14)	430,808	385,855
		9,563,374	9,646,449

2	ACADEMIC FEES AND SUPPORT GRANTS	2011 (£)	2010 (£)
	Full Time - Home & EU	2,428,610	2,244,264
	Full Time - Overseas	2,655,764	2,482,888
	Part Time	250,982	189,933
	Bench Fees and Support Grants	148,500	91,300
		5,483,856	5,008,385

3	RESEARCH GRANTS AND CONTRACTS	2011 (£)	2010 (£)
	Research Councils	1,412,991	1,456,047
	UK Charities	1,830,162	2,013,390
	UK Central Govt Bodies	818,013	628,918
	UK Industry, Commerce and Public Corporations	483,664	491,711
	Overseas Sources	1,749,370	1,153,938
	Other Sources	133,050	197,286
	Released from Deferred Capital Grants	537,747	370,719
		6,964,997	6,312,009
	Indirect Costs Recovered	1,165,360	959,476
		8,130,357	7,271,485

Notes to the Financial Statements cont.

4	OTHER OPERATING INCOME	2011 (£)	2010 (£)
	Residences and Catering	177,648	172,187
	Other Services Rendered	210,091	177,083
	Released from Deferred Capital Grants (Note 14)	59,725	35,000
	Accommodation Lettings	137,286	206,135
	Other Income	284,691	168,276
		869,441	758,681

5	ENDOWMENT AND INVESTMENT INCOME	2011 (£)	2010 (£)
	Income from Permanent Endowments (Note 15)	3,120	3,491
	Income from Expendable Endowments (Note 15)	2,737	2,657
	Income from Fixed Asset Investments	9,988	10,080
	Income from Short Term Deposits and Bank Interest	53,178	38,619
		69,023	54,847

Notes to the Financial Statements cont.

6 STAFF	2011(£)	2010 (£)
Staff Costs:		
Wages and Salaries	9,714,746	9,947,140
Social Security Costs	833,412	811,437
Other Pension Costs	1,166,640	1,143,643
Early retirement & severance costs	14,232	76,967
	11,729,030	11,979,187
Emoluments of Dean, Professor A W Smith, excluding pension contributions from the School of £21,652 (2008-09 £18,536)	£168,886	£160,215

	No.	No.
Remuneration of other higher paid staff, excluding pension contributions:		
£100,000 - £109,999	1	1
£110,000 - £119,999	1	1
Average Staff Numbers (full time equivalents) by category:		
Academic	59	61
Research Grants and Contracts	64	66
Academic - Related	37	37
Technical	26	25
Clerical, Secretarial and Computer Operators	32	30
Manual and Ancillary	6	7
Other	6	6
	230	232
	£	£
Other Pension Costs comprised:		
USS Employer's Contributions	934,344	918,767
SAUL Employer's Contributions	230,315	222,903
Other Employer's Contributions	1,981	1,973
	1,166,640	1,143,643

Notes to the Financial Statements cont.

7	OTHER OPERATING EXPENSES	2011 (£)	2010 (£)
	Residences and Catering Operating Expenses	205,197	201,949
	Consumables and Laboratory Expenditure	801,101	729,496
	Research Grant Expenses	3,505,139	3,001,254
	Books & Periodicals	318,584	275,367
	Other Library & Information Service Expenditure	357,352	186,045
	School Studentships, Prizes and Waiver of Fees	907,908	720,411
	Other General Educational Expenditure	259,900	248,921
	Heat, Light, Power and Water	343,273	358,174
	Repairs and General Maintenance	632,985	480,845
	Long-term Maintenance	48,903	66,155
	Minor Works & Adaptations	23,558	73,462
	Rent & Rates	242,930	204,686
	Insurance	95,557	100,328
	Telephones	60,366	50,552
	Minor Equipment and Equipment Maintenance	211,582	321,338
	External Audit Fees	18,000	17,604
	Internal Audit Costs	24,850	26,026
	Other Professional Fees	207,137	94,040
	University of London Subscription & Services	108,966	109,558
	Commercial Development Office	106,515	95,110
	Students Union Grant & Other Expenses	20,519	20,150
	Other Expenses	396,879	342,004
		8,897,201	7,723,475

Notes to the Financial Statements cont.

8	ANALYSIS OF 2010-11 EXPENDITURE BY ACTIVITY				
	Staff Costs (£)	Deprec'n (£)	Other Operating Expenses (£)	Total 2011 (£)	Total 2010 (£)
Academic Departments	5,853,461	447,414	1,956,565	8,257,440	8,415,320
Academic Services	742,199	-	675,936	1,418,135	1,063,734
Research Grants and Contracts	2,922,111	537,747	3,505,139	6,964,997	6,312,009
Residences and Catering	-	-	205,197	205,197	201,949
Premises	578,933	1,113,666	1,449,572	3,142,171	2,945,247
Administration & Central Services	1,618,094	-	959,115	2,577,209	2,375,105
Other Expenses	14,232	-	145,677	159,909	199,489
Interest Payable	-	-	-	0	828
	11,729,030	2,098,827	8,897,201	22,725,058	21,513,681

The depreciation charge has been funded by:	
Deferred Capital Grants Released (Note 15)	1,669,792
General Income	429,035
	2,098,827

9	TANGIBLE ASSETS		
	Leasehold Building (£)	Equipment (£)	Total (£)
Cost			
At 1 August 2010	16,048,051	8,289,877	24,337,928
Additions	875,567	1,199,391	2,074,958
At 31 July 2011	16,923,618	9,489,268	26,412,886
Depreciation			
At 1 August 2010	5,347,538	6,685,852	12,033,390
Charge for year	1,113,666	985,161	2,098,827
At 31 July 2011	6,461,204	7,671,013	14,132,217
Net Book Value			
At 31 July 2011	10,462,414	1,818,255	12,280,669
At 31 July 2010	10,700,513	1,604,025	12,304,538

Notes to the Financial Statements cont.

10	INVESTMENTS	2011 (£)	2010 (£)
	Listed Investments at market valuation:		
	Fixed Interest Stocks	174,657	121,878
	UNLISTED INVESTMENTS		
	Cost	50,200	50,200
	Less Provision for diminution in value	(50,000)	(50,000)
		174,857	122,078

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	2011 (£)	2010 (£)
	Balance at 1 August	655,002	604,207
	New endowments	6,348	67,181
	Increase in market value of investments	1,669	3,894
	(Decrease)/Increase in cash balances held for endowment funds	(184,186)	(20,280)
	Balance at 31 July	478,833	655,002
	Represented by:		
	Fixed Interest Stocks at market value	81,250	79,581
	Short Term Deposits	397,583	575,421
	Total Endowment Asset Investments	478,833	655,002

12	DEBTORS	2011 (£)	2010 (£)
	Amounts falling due within one year:		
	Research Grants and Contracts	595,413	368,909
	Other Debtors, Prepayments and Accrued Income	490,101	260,469
		1,085,514	629,378

13	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2011 (£)	2010 (£)
	Research Grants and Contracts	5,650,174	5,314,054
	PAYE and National Insurance	253,335	259,643
	Trade creditors	445,561	366,313
	Accruals and deferred income	486,969	757,519
		6,836,039	6,697,529

Notes to the Financial Statements cont.

14	DEFERRED CAPITAL GRANTS	Funding Council (£)	Other Grants (£)	Total (£)
	At 1 August 2010			
	Building Work - Refurbishments & Capital Maintenance	6,749,205	982,658	7,731,863
	Equipment	745,441	630,624	1,376,065
		7,494,646	1,613,282	9,107,928
	Cash Received			
	Building Work - Refurbishments & Capital Maintenance	14,099	129,233	143,332
	Equipment	331,088	656,260	987,348
		345,187	785,493	1,130,680
	Released to Income & Expenditure Account (Notes 1, 3 & 4):			
	Building Work - Refurbishments & Capital Maintenance	(641,512)	(162,688)	(804,200)
	Equipment	(430,808)	(434,784)	(865,592)
		(1,072,320)	(597,472)	(1,669,792)
	At 31 July 2011			
	Building Work - Refurbishments & Capital Maintenance	6,121,792	949,203	7,070,995
	Equipment	645,721	852,100	1,497,821
		6,767,513	1,801,303	8,568,816

Notes to the Financial Statements cont.

15

ENDOWMENTS				
	Restricted Permanent (£)	Restricted Expendable (£)	2011 Total (£)	2010 Total (£)
Balances at 1 August				
Capital	288,462	165,344	453,806	386,625
Accumulated Income	176,127	25,069	201,196	217,582
	464,589	190,413	655,002	604,207
New Endowments	6,348	-	6,348	67,181
Reclassified as Deferred Capital Grants	(72,995)	-	(72,995)	-
Investment Income	3,120	2,737	5,857	6,148
Expenditure	(106,213)	(10,835)	(117,048)	(26,428)
	(103,093)	(8,098)	(111,191)	(20,280)
Change in market value of investments	730	939	1,669	3,894
Balances at 31 July	295,579	183,254	478,833	655,002
Represented by:				
Capital	221,815	165,344	387,159	453,806
Accumulated Income	73,764	17,910	91,674	201,196
	295,579	183,254	478,833	655,002
Comprising:				
Mary Ashton Memorial Fund	3,696	-	3,696	3,827
Blandford Prize	15,459	-	15,459	15,382
Bramwell Book Prize	2,795	-	2,795	2,781
R Cannell Travel Fund	37,019	-	37,019	36,835
A M Cook Fund	19,798	-	19,798	19,949
W L Custance Bequest	29,611	-	29,611	36,282
P Elworthy Prize	336	-	336	334
ACG Florence Prize	1,361	-	1,361	1,354
Greenish Memorial Fund	16,688	-	16,688	16,428
Sir Harry Jephcott Fund	36,984	-	36,984	111,627
Molecular Pharmacy Appeal	-	-	-	29,639
W C Peck Prize	1,773	-	1,773	1,722
R H Stevens Trust Fund	2,949	-	2,949	-
Upjohn Toxicology Prize	112	-	112	111
Webber Bequest	53,598	-	53,598	54,839
Wilkins Prize Fund	17,437	-	17,437	17,500
Alumni Fund	-	-	-	43,356
Fellowship Fund	9,480	-	9,480	27,374
Annual School Lecture Fund	46,483	-	46,483	45,249
Charter Fund	-	183,254	183,254	190,413
	295,579	183,254	478,833	655,002

Notes to the Financial Statements cont.

16	REVALUATION RESERVE	2011 (£)	2010 (£)
	At 1 August	19,989	14,026
	Revaluation in year	4,503	5,963
	At 31 July	24,492	19,989

17	INCOME AND EXPENDITURE ACCOUNT RESERVE	2011 (£)	2009 (£)
	General Reserve		
	At 1 August	5,414,012	4,167,566
	Surplus for the year	1,502,184	1,246,446
	At 31 July	6,916,196	5,414,012

18	CAPITAL & LEASE COMMITMENTS	2011 (£)	2010 (£)
	Capital commitments contracted at 31 July	42,300	470,397
	The School has annual commitments of £167,000 (£167,000 in 2009-10) under an operating lease for land and buildings expiring in two to five years.		

19	RECONCILIATION OF SURPLUS AFTER DEPRECIATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011 (£)	2010 (£)
	Surplus after Depreciation	1,390,993	1,226,166
	Depreciation (Note 9)	2,098,827	1,810,191
	Deferred Capital Grants Released to Income (Note 14)	(1,669,792)	(1,403,302)
	Investment Income (Note 5)	(69,023)	(54,847)
	Interest Payable	-	828
	Movement in Stocks	7,587	(4,619)
	Movement in Debtors	(456,136)	181,135
	Movement in Creditors	138,510	269,666
	Net Cash Inflow from Operating Activities	1,440,966	2,025,218

Notes to the Financial Statements cont.

20	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2011 (£)	2010 (£)
	Income from Endowments	5,857	6,148
	Income from Fixed Asset Investments	9,988	10,080
	Other Interest Receivable	53,178	38,619
	Interest Payable	-	(828)
		69,023	54,019

21	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2011 (£)	2010 (£)
	Tangible Assets Acquired	(2,074,958)	(2,609,421)
	Purchase of Investments	(48,276)	(85,952)
	Disposal of Investments	-	85,952
	Endowments Received	6,348	67,181
	Deferred Capital Grants Received	1,057,685	2,422,549
		(1,059,201)	(119,691)

22	FINANCING	2011 (£)	2010 (£)
	Debt due beyond a year:		
	Repayment of amount borrowed	-	(271,391)
	Net cash inflow from financing	-	(271,391)

23	ANALYSIS OF CHANGES IN NET FUNDS	At 31 July 10 (£)	Cash Flows (£)	At 31 July 11 (£)
	Cash at Bank and in Hand	1,239,414	50,788	1,290,202
		1,239,414	50,788	1,290,202
	Short Term Deposits - Endowment Assets	575,421	(177,838)	397,583
	Short Term Deposits - Others	6,924,579	577,838	7,502,417
		8,739,414	450,788	9,190,202

24 ACCESS TO LEARNING FUND

Funding Council Grants of £14,229 were received during the year (2009-10: £18,081) 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.

25 PENSION ARRANGEMENTS

The two principal pension schemes for the School's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Assets of each scheme are held in separate trustee administered funds. It is not possible to identify the School's share of the underlying assets and liabilities of either scheme and hence contributions are accounted for as if they were defined contribution schemes. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P) and valued every three years by professionally qualified independent actuaries using the Projected Unit Method.

The rates of contribution for both schemes are determined by the Trustees on the advice of actuaries, the cost recognised for the year in the Income and Expenditure account being equal to the contribution to the scheme.

All contributions due to the USS and SAUL pension schemes by 31 July 2011 were paid over by that date.

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was at 31 March 2008 using the projected unit method. The assumption and other data which have the most significant effect on the determination of the contribution levels are as follows:

	Past Service	Future Service
Investment returns per annum	4.4%	6.1%
Salary scale increases per annum	4.3%	4.3%
Pension increases per annum	3.3%	3.3%

Market value of assets at last actuarial valuation date £28,843m

Proportion of members' accrued benefits covered by the actuarial value of assets	103.0%
Current Employers contribution rate from	16.0%

The scheme is currently finalising its triennial actuarial valuation. USS has indicated that a deficit under the technical provisions is likely and will be consulting further with member institutions on the outcome.

Superannuation Arrangement of the University of London (SAUL)

The latest actuarial valuation of the scheme was at 31 March 2008 using the projected unit method. The assumption and other data which have the most significant effect on the determination of the contribution levels are as follows:

	Past Service	Future Service
Investment returns per annum		
- before retirement	6.9%	7.0%
- after retirement	4.8%	5.0%
Salary scale increases per annum ¹	4.85%	4.85%
Pension increases per annum	3.35%	3.35%

Market value of assets at last actuarial valuation date £1,266m

Proportion of members' accrued benefits covered by the actuarial value of assets	100.0%
Current Employers contribution rate	13.0%

¹ excludes an allowance for promotional increases.

The scheme is finalising its valuation for March 2011 which is expected to show a small deficit under the technical provisions. No further information is available at present.

The School of Pharmacy

University of London
29-39 Brunswick Square
London WC1N 1AX
United Kingdom