

Annual Report and Accounts

2006–07

100 years of living science



Our mission: Imperial College embodies and delivers world-class scholarship, education and research in science, engineering and medicine, with particular regard to their application in industry, commerce and healthcare. We will foster interdisciplinary working within the College and collaborate widely externally.

1907



1907 ▶ **Imperial College of Science and Technology** is formed incorporating the Royal School of Mines, Royal College of Science and City and Guilds College.



1907 ▶ The **RSM, Imperial College and the students' union buildings** receive support from industrialists including diamond mine owner Sir Alfred and Sir Otto Beit.

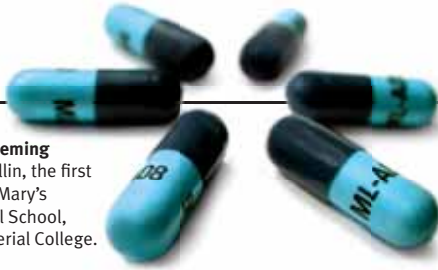
1917

1919 ▶ **Sir Richard Glazebrook** takes up the UK's first Chair of Aeronautics at Imperial.



1927

1928 ▶ **Sir Alexander Fleming** discovers penicillin, the first antibiotic, at St Mary's Hospital Medical School, now part of Imperial College.



1928 The **first recorded film footage** of activities at Imperial is made at Morphy Day in 1928.

1937



1937 ▶ **Sir Walter Norman Haworth** becomes joint winner of the Nobel Prize for Chemistry for groundbreaking work on ascorbic acid (vitamin C).



1939 ▶ **World War II** begins; Wye College (now part of Imperial) trains 180 members of the Women's Land Army.

1947

1947 The College acquires **Silwood Park** as a field station to provide a site for research and teaching in biology.

1949 Student newspaper **Felix** is launched.

1950 ▶ **Sir Henry Tizard**, Rector of Imperial 1929–42, serves as Chief Scientific Advisor at the Ministry of Defence, where he establishes the Flying Saucer Study to investigate the phenomenon of UFOs.

1957

1957 ▶ **Exploration Board** is set up to assist Imperial students going on international expeditions.



1959 ▶ **Helen Porter** is appointed as Chair of Plant Physiology, becoming the first woman professor at Imperial.



1967

1968 **Linstead Hall**, originally known as New Hall, is opened—named after Sir Patrick Linstead, Rector 1954–66.

1969 ▶ **Professor Joan Woodward** is appointed Professor of Industrial Sociology and Director of the Industrial Sociology Unit.

The Imperial Institute is demolished and the **Queen's Tower** becomes a free standing campanile.



1977



1977 ▶ **Huxley Building** opens on Queen's Gate, home to the Department of Computing and the Department of Mathematics.

1978 **Four-year engineering course** begins, adding a year of study in industrial, social and economic studies.

1980 ▶ **Joint course** with the Royal College of Art in Industrial Design Engineering is established.



1987

1985 **Honda Wind Tunnel** is opened to assist the Aeronautics Department in developing expertise in testing vehicle aerodynamics.



1988 ▶ **Imperial College of Science, Technology and Medicine** formed through the merger of the College with St Mary's Hospital Medical School.

1997

1997 **Imperial College School of Medicine** is formed, the product of a series of mergers with leading London medical schools.

1998 ▶ Opening of the **Sir Alexander Fleming Building**—headquarters for the College's medical and bio-medical research.

2001 Tanaka Business School launches **Entrepreneurship Centre** for the teaching and practical application of entrepreneurial ideas.



2007

Imperial's talented staff and students have built a rich legacy of discoveries and advances in its first 100 years, and across these two pages is just a taste of their history.



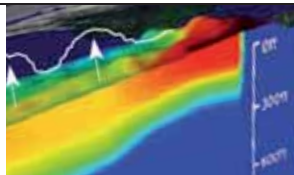
1912 ▶
Martha Annie Whiteley (Chemistry) becomes the first woman to hold a position on the teaching staff at the Royal College of Science. She goes on to found Imperial College Women's Association.



1914 ▶
Outbreak of World War I sees 300 Imperial students volunteer for service, joined by 60 staff members.

1922
George Ingle Finch (Chemical Engineering) develops lightweight oxygen supply equipment used in Mallory's 1922 Everest Expedition.

1924 ▶
Sir Gilbert Walker, physicist and professor of meteorology at Imperial, discovers the Southern Oscillation—El Niño.



1926
The first student hostel opens in Beit Quadrangle. Imperial's original students' union building in the north of the quadrangle was designed by Sir Aston Webb and built in 1910–11.

1931
Alan Blumlein, Imperial alumnus, invents stereo sound, one of the most important advances in audio engineering of the twentieth century.



1932
Sir Ralph Freeman, Imperial alumnus, is the chief designer and architect of the Sydney Harbour Bridge.

1933 ▶
Boanerges becomes the official mascot of the City and Guilds College Union after being bought for £40.



1941 ▶
Imperial home guard platoon is formed; 250 students pass through the Company during the war.

1943
Bruce White (Electrical Engineering) directs work on the Mulberry Harbours, structures used in readiness for the Allies' D-Day landings.



1943 ▶
Miss Letitia Chitty and Professor Alfred Pippard study the effects of underwater explosions on submarines and stresses on submarine hulls.



1954 ▶
Sir Roger Bannister, Imperial alumnus, makes sporting history as the first man to break the four-minute mile, in a time of 3 minutes 59.4 seconds.

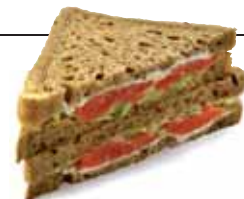


1960
Clem joins the Royal School of Mines as its motorised mascot.

1964 ▶
Professor Eric Laithwaite, pioneer in the development of magnetic levitated high-speed trains, joins Imperial.



1971
Professor Denis Gabor, is awarded the Nobel Prize for Physics for the invention of holography.



1973 ▶
Alumnus and emeritus professor **Sir Geoffrey Wilkinson** is awarded the Nobel Prize for Chemistry for his discovery of the 'Wilkinson Sandwich'.



1976 ▶
Pimlico Connection is launched as a scheme for Imperial engineering students to assist with science teaching in local schools.



1982 ▶
Janet Vida Watson, Chair in Geology, co-produces the first comprehensive coverage and understanding of the Outer Hebrides, and becomes the first woman President of the Geological Society of London.



1984 ▶
Alumnus **Captain Marc Garneau** becomes the first Canadian in space, aboard Space Shuttle Challenger mission STS-41G.



1993
Professor Averil Mansfield becomes the first female Professor of Surgery in the UK.



1995
John Burland, Emeritus Professor of Soil Mechanics at Imperial, helps prevent the Leaning Tower of Pisa from toppling over.

1996 ▶
Imperial wins **University Challenge** for the first time.



2002
Schistosomiasis Control Initiative is established at Imperial making 39 million treatments for schistosomiasis and soil-transmitted helminths.

2006
Prince Albert Challenge Cup
Imperial becomes the only university to donate and name a trophy at Henley Royal Regatta—and then becomes the first team to take the new Cup home.



2007 ▶
Imperial College London celebrates its Centenary.

Visit the growing Centenary timeline at www.imperial.ac.uk/centenary.

Contents

2	Rector's foreword
3	Management Board
4	Imperial's Centenary year highlights
14	Report of the Chief Operating Officer
17	Corporate governance
18	Responsibilities of the Council
19	Council and Council committees
20	Auditors' report
21	Consolidated income and expenditure account
22	Balance sheets
24	Consolidated cash flow statement
25	Statement of consolidated total recognised gains and losses
26	Statement of principal accounting policies
28	Notes to the accounts

On the cover:

The cover shows a test board with an APV25 chip, part of the CMS microstrip tracker readout system employed by the Compact Muon Solenoid (CMS) experiment at CERN (see page 4). The High Energy Physics Group at Imperial has played a leading role in investigating silicon tracking sensors, readout electronics and radiation hardness of possible technologies for use in the experiment.

Rector's foreword



2

“The Centenary year has been a great success, sparking a renewed dynamism and dedication to fulfilling our mission throughout the College.”

The major theme of the year covered by the Annual Report and Accounts 2006–07 has, of course, been our Centenary. Whilst it is not possible to quantify the impact of our celebrations in a set of accounts, I believe the Centenary year has been a great success, sparking a renewed dynamism and dedication to fulfilling our mission throughout the College. It has also offered a welcome opportunity to cement our sense of community, with the staff party in July being a high point for many of us.

One of the foremost outcomes of the year has been the bestowal of a new royal charter, which confers upon Imperial the status of a university in its own right, and therefore the right to award its own degrees. This charter echoes the words of the original of 1907 in emphasising the importance of the application of research for the good of all.

As Her Majesty The Queen was kind enough to say during her Centenary visit to the College, we have certainly fulfilled that aspiration over the past 100 years, and we are determined to continue doing so. Imperial staff, students and alumni can now be found all over the world, using their talents and knowledge to improve quality of life everywhere.

Imperial is always looking for innovative new ways to translate its research into positive benefits for the people who need it most, and it is in that spirit that we are taking the major step of creating an Academic Health Science Centre. On 1 October 2007, with the newly-merged St Mary's and Hammersmith Hospitals, the College formed Imperial College Healthcare NHS Trust. This integration of teaching and research with the delivery of patient care, a first for the UK, will create a healthcare centre of international standing, in which breakthroughs move speedily from laboratory to bedside.

A large part of our ability to do this is based on the College's international reputation for first class research, a reputation that I am confident will be recognised in the current Research Assessment Exercise. This is an enormous and very important undertaking that will have a direct impact on how we are able to invest in research over the coming years, so my thanks go to all who are working so hard to prepare for it.

Staff and students from many different cultures all over the world come to Imperial to learn and discover. The College now offers 101 undergraduate and 105 postgraduate courses, imparting the knowledge that the twenty-first century will rely on heavily. That our reputation for excellence in teaching is as strong as that for research is recognised by the latest figures showing that Imperial graduates command the second highest starting salaries in the UK, and confirms that their faith in the worth of the education we provide is not misplaced.



Imperial's Management Board 2006–07: top, from left to right: Sir Richard Sykes, Rector; Professor Sir Leszek Borysiewicz, Deputy Rector; Professor Dame Julia Higgins, Principal, Faculty of Engineering; Professor Stephen K. Smith, Principal, Faculty of Medicine and (from 1 October 2007) Chief Executive, Imperial College Healthcare NHS Trust; Professor Sir Peter Knight, Principal, Faculty of Physical Sciences.

Bottom, from left to right: Professor David Begg, Principal, Tanaka Business School; Dr Martin Knight, Chief Operating Officer; Dr Rodney Eastwood, Director of Strategy and Planning; Dr Tidu Maini, Pro Rector (Development and Corporate Affairs); Tony Mitcheson, College Secretary and Clerk to the Court and Council.

As we celebrate the College's past achievements and look forward to those that the future will bring, one message stands above all others — that Imperial owes everything to the tireless endeavours of the people who work and study here.

That Imperial begins its second century in a strong scientific and financial position and with a great sense of optimism is due entirely to the calibre of staff and students that it is able to attract. As long as the College continues to be home to those with the vision to make ground-breaking advances and the drive to put them into practice, its future as a world-leading institution will be assured.

I would like to thank several talented and dedicated people who have left us this year. Tidu Maini, formerly Pro Rector (Development and Corporate Affairs), members of Council David Wilbraham and Tony Roche after, respectively, eight and 10 years' service to the College; Leszek Borysiewicz, who left in September to head the MRC, Richard Kitney,

who finished his elected term in August; and Julia Higgins, who retired in September. And last, but not least, I would like to thank Tony Mitcheson, who retired as College Secretary and Clerk to the Court and Council in September. I acknowledge with gratitude all their contributions and the support they have given Imperial.

I look forward to a packed final year as Rector of this unique place, and offer a warm welcome to my distinguished successor Sir Roy Anderson, who has the privilege of steering it into its second century of great accomplishment.



Professor Tejinder (Jim) Virdee, Department of Physics, and the Compact Muon Solenoid (CMS) particle detector experiment at CERN near Geneva, Switzerland.

Imperial's Centenary year



Research at the frontiers of scientific, engineering, business and medical knowledge is a major feature of the academic activity of the College and our staff are frequently recognised by the award of prestigious prizes and other honours.

“One message stands above all others — Imperial owes everything to the brilliance and tireless endeavours of the people who work and study here.”

Sir Richard Sykes

Biggest experiment on earth

An international team of over 2,000 scientists, led by Professor Tejinder (Jim) Virdee from the Department of Physics, is preparing for the world's largest ever physics experiment starting next year at CERN near Geneva, Switzerland. The Compact Muon Solenoid (CMS) particle detector aims to find new particles, detect mini black holes and solve some of the mysteries of the universe like where mass comes from. Scientists hope the CMS experiment may also help them progress towards a unified theory to explain all physical phenomena — a theory that has eluded them until now.

• Watch a video of Professor Virdee explaining the science behind the experiment: <http://ichelix1.cc.ic.ac.uk/rangem/mediaspool/comms/cern2.rm>

Grantham Institute for Climate Change

Jeremy and Hannelore Grantham have donated £12 million to establish the Grantham Institute for Climate Change based at Imperial. The donation, from their Grantham Foundation for the Protection of the Environment, is the largest private funding given to climate change in the UK and will contribute to the world's response to climate change by stimulating research to develop mitigation techniques, and by impacting directly on public and private policy. The donation will create 10 new research posts and a dedicated space for the Institute at South Kensington, providing a focus for Imperial scientists already working in this field.



Infectious disease centre

Preparing the world for outbreaks of infectious disease is the aim of the new MRC Centre for Outbreak Analysis and Modelling at Imperial. The £6 million Centre, funded jointly by the UK Medical Research Council (MRC) and Imperial, will analyse new outbreaks of existing diseases, such as polio, and infections like H5N1 avian flu which may pose a serious future threat. Headed by Professor Neil Ferguson, Department of Infectious Disease Epidemiology, the Centre will work closely with governments and health



“The consequences of an H5N1-based pandemic could be catastrophic.”
— Neil Ferguson

organisations across the world to plan for potential pandemics and, in the event of an outbreak, provide rapid information.

Rajiv Gandhi Centre

Tanaka Business School's new Rajiv Gandhi Centre for Innovation and Entrepreneurship, named after the former Indian Prime Minister and Imperial alumnus, will help India and British companies improve their performance in innovation management. It is expected to create a platform for education, networking, collaboration and joint research. At the Centre's launch, a Memorandum of Understanding was also signed between Imperial College and the Confederation of Indian Industry to collaborate in sectors including drugs and pharmaceuticals, biotechnology, energy and the environment.

Imperial's on top of the world

Imperial is among the top five universities in the world. Its high ranking has been confirmed in the *Times Higher Education Supplement (THES)* 2007 league tables for the world's top 200 universities. Imperial is ranked fifth overall, joining prestigious institutions Harvard, Oxford, Cambridge and Yale in the top five. It is rated second in Europe and sixth in the world for technology; third in Europe and seventh in the world for life sciences and biomedicine; third in Europe and 13th in the world for natural sciences.

Graduate Schools win Times Higher Award

Imperial has been recognised for its innovative and integrated approach to supporting young academics within its two graduate schools. The College won the award for outstanding support for early career researchers at the 2006 *Times Higher Education Supplement* Awards. Since the establishment of the Graduate School of Life Sciences and Medicine (GSLSM) in 1999 and the Graduate School of Engineering and Physical Sciences (GSEPS) in 2002, over 70 workshops and courses have addressed a broad range of skills development.

Best of British

Imperial's vital role in the UK's industrial and economic success was recognised at the inaugural Best of British Industry Awards. The College received the Supporter of British Industry Award, which honours organisations that proactively engage with industry and provide it with the resources and support to make a demonstrable difference. Rector Sir Richard Sykes said: “Strong partnerships between industry and universities are win-win for both parties and are also vital for the UK's economy, so I'm very pleased that our commitment to forging relationships has been recognised in this way.”

Over 3,900 people attended the Centenary staff party in July





"The Clinical Imaging Centre is a prime example of what can be achieved when universities, government and industry work side by side. It enables us to translate our scientific advances into improving patient care as quickly as possible. By combining the expertise of leaders in imaging technology and giving them access to the very latest equipment, we can advance our understanding of diseases that affect millions of people." Sir Richard Sykes

Through the Academic Health Science Centre, Imperial continues to advance science with the aim of bringing a higher quality of healthcare directly to patients.



Ground-breaking NHS Trust

The UK's largest NHS Trust — Imperial College Healthcare NHS Trust — has been created through the merger of two of the country's best hospitals and integration with a world class university. Hammersmith Hospitals NHS Trust and St Mary's NHS Trust have come together with Imperial to form the UK's first Academic Health Science Centre. Offering more than 50 clinical specialities from conception to end-of-life care, the new Trust has an annual turnover of £760 million and employs 9,700 staff. The Trust's Chief Executive, Professor Stephen Smith, is also Principal of Imperial's Faculty of Medicine.

World-leading clinical imaging centre

The new GlaxoSmithKline (GSK) Clinical Imaging Centre (CIC) was officially opened in June by Alistair Darling MP, Secretary of State for Trade and Industry. Backed by a 10-year commitment by GSK to invest £11 million a year in the centre, the CIC will use and advance the latest technologies in magnetic resonance imaging (MRI) and positron emission tomography (PET). Its facilities give the unit the capacity to conduct up to 2,500 scans a year. Built over three floors, it will be staffed by almost 80 clinical, scientific and support staff, plus an additional eight research fellows from Imperial.

Government role for Imperial professor

Ara Darzi, an internationally acclaimed and pioneering surgeon, has been appointed Parliamentary Under Secretary in the UK government's Department of Health. Professor Lord Darzi currently holds the Paul Hamlyn Chair in Surgery and is Head of the Division of Surgery, Oncology, Reproductive Biology and Anaesthetics at Imperial.



He is widely recognised as one of the UK's leading surgeons in the field of minimally invasive (keyhole) and robot-assisted surgery. He retains his Imperial Chair while at the Department of Health and maintain his research and clinical commitments including supervision of students.

Ten years of Medicine

The Faculty of Medicine has celebrated its 10th birthday. The Faculty was founded in 1997 following the merger with Imperial of the Charing Cross and Westminster Medical School and the Royal Postgraduate Medical School. St Mary's Hospital Medical School and the National Heart and Lung Institute had already merged with Imperial in 1988 and 1995. The week-long birthday celebrations at Charing Cross Campus included interactive research exhibits, a medicine open day for local schools and a barbecue for staff.

Health and safety

The health and safety of our students and employees is of such importance that the College commissioned an independent company to carry out an external audit of our health and safety management systems. Its recommendations resulted in the creation of a new safety management system to be launched at the end of 2007 and the appointment of a Safety Champion at senior management level.

Final phase for Prince's Gardens regeneration

The demolition of Linstead Hall in August marked the final stage of the Prince's Gardens regeneration programme. The new accommodation to replace Linstead Hall will be bigger, with space for 430 students in mostly single and *en suite* rooms, together with a shop and café bar. Work is due to be completed by September 2009 and follows successful completion of other parts of the regeneration project including the opening of the *Ethos* Sports Centre in 2006 and the new Southside halls of residence in 2007.

Watch a video of the demolition ceremony: <http://jchelix1.cc.ic.ac.uk/ramgen/mediaspool/events/linstead.rv>

Independence for Imperial

Imperial has marked its centenary year by becoming an independent university and was granted a new royal charter on 9 July by Her Majesty The Queen. The College had been part of the University of London since 1929 and awarded its degrees from 1908. One of the first people to receive a new Imperial College London degree as part of the ceremony was the Duke of Edinburgh. The first students to register for an Imperial degree will be postgraduates who enrolled in October 2007, and the first Imperial undergraduates will begin their courses in October 2008.

► Watch a video stream of the royal visit: <http://ichelix1.cc.ic.ac.uk/ramgen/mediaspool/events/queen.rv>

International activities

Imperial's international links continued to expand with Centenary visits by the Rector, Deputy Rector and Pro Rectors to many partner universities round the world, combined with well-attended events with local alumni. Highlights were a research seminar with MIT, and similar events in Malaysia and Singapore. The College welcomed the first research students under the Malaysia-Imperial Doctoral Programme, joining PhD students from Singapore already here under the A*STAR-Imperial Programme. Links with India were strengthened through one major and three minor awards by the UK-India Education and Research Initiative (UKIERI).



The surface characteristics recorded by the scanner are unique – like a fingerprint or a DNA sequence.

Award for new anti-fraud technology

A new anti-counterfeiting technology, based on research by Imperial Physics Professor Russell Cowburn, has received the prestigious Hermes Award. The €100,000

award was given to Ingenia Technology Ltd, a company commercialising Imperial research, and partners Bayer Technology Services, for their Laser Surface Authentication (LSA) device. The LSA is a small laser scanner which can read unique identity codes on the surfaces of everything from pharmaceutical packages to valuable documents. The Hermes Award, which attracted more than 70 enterprises, was presented at the Hannover Messe technology fair in the presence of German Chancellor, Angela Merkel.

Graduate entry to medicine

A new course to turn science graduates into academic clinicians will start at Imperial in 2008. Each year, the graduate entry medicine course will take 50 graduate students with a minimum upper second class degree, or PhD in a biological sciences area, to become medical doctors over four years (rather than six on the MBBS BSc). Professor Stephen Smith, Principal of the Faculty of Medicine, commented that first-rate clinicians with the skills to undertake first-rate research would be crucial to tackle the medical problems of the future.



Research Associate, Dr Anna Radomska, and IBE Director, Professor Chris Toumazou, show the royal visitors around.

Royal opening for Institute

The Institute of Biomedical Engineering was officially opened by Her Majesty The Queen when she visited the College on 9 July to celebrate the Centenary of Imperial's Foundation in 1907. The new Institute is at the forefront of medical innovation, drawing together scientists, clinicians and engineers for research focused on technologies in systems biology, materials, imaging, nanotechnology, bionics, biomechanics and tissue engineering. In October, British Prime Minister Gordon Brown also visited the Institute to see the benefits of applying technological know-how to patient care.

Centenary Campaign

Since its foundation, Imperial's staff, students and alumni have used their exceptional academic talent to help transform the world around them. Through the first decade of the twenty-first century, the Centenary Campaign is seeking to raise £207 million of philanthropic funding, helping to ensure that the College continues to deliver teaching and research that, literally, could save the world. Recent support for the campaign includes funding for the Grantham Institute for Climate Change and gifts for scholarships in energy futures and nanotechnology.



Ben Ryall ran the London Marathon for Imperial College London and raised money for the Student Opportunities Fund.

Podcasts for lectures and slice of Imperial life

From Brian Spratt on foot and mouth to Brian May on completing his astrophysics PhD, the new Imperial podcast, launched in February 2007, provides a monthly insight into the life and work of the College. Available on the first working day of every month, each edition supplies a round-up of Imperial's latest news, findings and events with interviews about key research. It is the latest addition to Imperial's ongoing commitment to new media, with video podcasts and video streaming of special lectures also available.

- Magazine podcasts:
www.imperial.ac.uk/aboutimperial/pressoffice/podcasts
- Lecture podcasts:
www.imperial.ac.uk/aboutimperial/events/onlinelectures



As one of the premier UK university institutions for research quality, Imperial College continues to raise more income from industry than any other British university institution.



"The trial is an excellent example of how international collaborations between researchers and clinicians can be quickly translated into a cost effective treatment strategy providing patient benefit." Professor Charles Coombes

World map shows new patterns of extinction risk

A global mapping study published in *Nature* in November 2006 challenged assumptions about the global biodiversity of endangered species. Professor Ian Owens of the Division of Biology and the NERC Centre for Population Biology, and now Head of the new Department of Life Sciences, showed that the picture is far more complicated than previously thought, with



The Siberian tiger is an example of a critically endangered species.

mammal, bird and amphibian numbers being threatened by different factors in different locations. The finding has far-reaching implications for conservation planning and spending, which has, until now, involved investing in an area that has a high proportion of only one endangered species.

Megafood may have changed British history

Using spectacular images from high-resolution sonar waves of the floor of the English Channel, Dr Sanjeev Gupta and Dr Jenny Collier of the Department of Earth Science and Engineering have published research in the journal *Nature* showing that a catastrophic megafood hundreds of thousands of years ago separated Britain from France. It is believed that an ancient lake fed by the Thames and the Rhine was once located in the southern North Sea. When the lake level rose, torrents of water smashed through a chalk ridge and permanently separated Britain from mainland Europe.

Listen to a podcast of Dr Gupta explaining how catastrophic flooding split the UK from Europe at www.imperial.ac.uk/podcasts/impsscimagaug.mp3

Breast cancer survival rates improved by novel drug sequence

Changing the way women are treated for breast cancer could improve their overall chance of survival, according to research published in *The Lancet* by Professor Charles Coombes of the Cancer Research UK Department of Cancer Medicine at Imperial. The paper showed that switching to a drug called exemestane, two to three years after commencing standard therapy with the drug tamoxifen, could cut the risk of death for certain women by a further 17 per cent compared with using tamoxifen alone.

Mechanical artificial hearts can avoid transplant need

Researchers from Imperial's Heart Sciences Centre and the Royal Brompton and Harefield NHS Trust have discovered that it is possible to return severely failing hearts to their normal function using a device known as a left ventricular assist device, or LVAD. The device is currently used in patients awaiting heart transplantation. The researchers found that combining it with certain drug therapies can shrink an enlarged heart and enable it to function normally once the LVAD is removed. The therapy has the potential to ease the pressure on waiting lists, while offering patients a better alternative to a donor heart — their own healthy heart.



LVADs ease the load on a diseased heart, providing a bridge to eventual transplant.

Nobel Peace Prize

Emeritus Professor John Woods, of Imperial's Department of Earth Science and Engineering, took a share of the 2007 Nobel Peace Prize awarded jointly in October to Al Gore and the Intergovernmental Panel on Climate Change (IPCC). Professor Woods, formerly Head of the Department of Earth Resources Engineering, was lead author of a pivotal chapter entitled *Time-dependent greenhouse-gas-induced climate change* in the first IPCC report in 1990.



A lifetime's achievement rewarded

Professor Marc Feldmann of Imperial's Kennedy Institute of Rheumatology received a prestigious lifetime achievement award at the European Inventor of the Year awards in April. Recognised for the development of a treatment for autoimmune diseases that has helped millions of patients around the world, Professor Feldmann has previously won the Albert Lasker Award for Clinical Medical Research with Professor Ravinder

Maini for their work on TNFa inhibitors, which stop the inflammatory and tissue-destructive pathways of rheumatoid arthritis and other autoimmune diseases.



Jolly good Fellows

Imperial swelled the ranks of the UK's national academies of science this year with the election of eight members of staff to their respective fellowships. Professors Philippe Froguel and Neil Brockdorff (Medicine) were recognised in April by their election to the Fellowship of the Academy of Medical Sciences. In May, four Imperial researchers, Professors Peter Barnes and Sir Ravinder Maini (Medicine), Dave Wark (Natural Sciences) and Anthony Kinloch (Engineering), were elected to the Fellowship of the Royal Society. And in July, the fellowship of the Royal Academy of Engineering was joined by Professors Neil Alford and Richard Vinter (Engineering).

New Rector announced

Professor Sir Roy Anderson, the distinguished epidemiologist, will become the 14th Rector of the College. Currently on secondment to the UK Ministry of Defence as Chief Scientific Advisor, Sir Roy has a 40-year association with Imperial, beginning as an undergraduate in 1965 and holding the Chair in Infectious Disease Epidemiology since 2000. Sir Roy will take over from Sir Richard in the summer of 2008, when Sir Richard retires after leading Imperial for eight years.

New Principal for Engineering

Professor John Wood took up his new appointment as Principal of Imperial's Faculty of Engineering during the late summer. Formerly Chief Executive of the Council for the Central Laboratory of the Research Councils, Professor Wood commented that Imperial is one of the few institutions worldwide with the strength and the depth to be a significant player in helping deliver solutions to the challenges facing society, from energy provision to new approaches to health delivery.

Forty new professors

This year's promotions exercise has seen 127 academic staff, among them 40 professors, taking up new appointments in October.

The full list of promotions can be downloaded from www.imperial.ac.uk/pls/portallive/docs/1/23901696.PDF

Management Board changes

The end of the 2006-07 session brought changes to the membership of Management Board. Professor Sir Leszek Borysiewicz left Imperial to become Chief Executive of the Medical Research Council, and Professor Dame Julia Higgins and Mr Tony Mitcheson retired. Dr Tidu Maini left full time employment with the College to work for the Qatar Foundation, but is retained by Imperial on a consultancy basis, and Dr Rodney Eastwood became College Secretary and Clerk to the Court and Council.

New Pro Rectors and Dean of Students

Professor Mary Ritter, Pro Rector for International Affairs, has been joined in the Pro Rectorate by two new Pro Rectors: Professor Julia Buckingham (Medicine) from October as Pro Rector for Education, and from November by Professor Nagy Habib (Medicine) as Pro Rector for Commercial Affairs.

Senior retirements

Imperial bade farewell to the following senior staff, who retired this year:

- ▶ Professor Rees Rawlings, Pro Rector, Educational Quality, who came to Imperial in 1961 as an undergraduate;
- ▶ Tony Mitcheson, Secretary to the Court and Council, who retired after 10 years' service;
- ▶ Professor Dame Julia Higgins, Principal of the Faculty of Engineering, who joined the College in 1976.

Top: Rees Rawlings, Tony Mitcheson, Julia Higgins, John Wood. Middle: Julia Buckingham, Nagy Habib, Mary Ritter. Bottom: Roy Anderson.



From researching young brains to exciting young minds



Michelle Krishnan, a final year Imperial student based at Hammersmith Hospital, received a prestigious Kennedy Scholarship to study at Harvard.

Prestigious Harvard scholarship for Imperial graduate

Imperial medical graduate, Michelle Krishnan, began her time as a Kennedy scholar at Harvard in August; one of just 10 UK students to win this great opportunity for 2007. She will use her placement as a Visiting Research Fellow, which lasts until June 2008, to

continue her research monitoring the progress of premature babies' brain development using MRI scans. Michelle applied to the scheme during her final year at Imperial and hopes to work at Imperial College Healthcare NHS Trust when she returns to the UK.



CSI (chemical synthesis investigation) Imperial — A group of Imperial Outreach summer school students investigate a 'murder scene'. They were put to work learning about the science behind crime scene investigation by analysing fingerprints, blood types, the contents of a mug for possible poison and a variety of different inks that might have been used in a handwritten note found by the 'body'.

Summer of science

Over 70 different summer schools took place at Imperial in 2007, giving 3,500 11 to 16-year-olds a taste of university science. The events, organised by Imperial Outreach, are aimed at raising expectations and igniting the pupils' interest in the world of science. The overall theme this year is space science and astronomy. Supported by Imperial students as academic mentors, the pupils went into departments to explore subjects in an interactive and hands-on way.

EnVision 2010

A major initiative by the Faculty of Engineering to promote excellence in teaching, learning and academic leadership, the *EnVision 2010* strategy aims to create improved learning environments and facilities for students and lecturers, and foster debate in the engineering community. Jonathon Porritt, Chairman of the UK Sustainable Development Commission and keynote speaker at the Global Sustainability: the future for engineering education forum held at Imperial in September, praised the initiative, saying that there was a need for new mindsets, technologies, responsibilities and business models, and that higher education needed to be at the forefront of this change.

View video highlights of the Global Sustainability Forum:
<http://chelix1.cc.ic.ac.uk/kamgen/mediaspool/fons/globalsustainability.rm>



History of Imperial College

Read all about Imperial's fascinating history in *The History of Imperial College London, 1907-2007: Higher Education and Research in Science, Technology and Medicine* by Dr Hannah Gay of the Centre for the History of Science, Technology and Medicine.

Buy the book online through the publishers at:
www.icpress.co.uk/histosci/p478.html

Being a good sport

The annual IDEA League sports event came to Imperial this summer, with over 100 students from TU Delft, ETH Zürich, RWTH Aachen and Imperial taking part in a range of sporting activities. Vying with each other for the lead in events from badminton to a fitness challenge, Imperial and Aachen were neck and neck all the way. RWTH Aachen eventually pipped Imperial to the post, with ETH Zürich in third place and TU Delft in fourth.

You can watch a short video of the event at:
<http://fchelix1.cc.ic.ac.uk/ramgen/mediapool/events/idea2007.rv>

SET for success

Two Imperial undergraduates won awards at the Science, Engineering and Technology (SET) Student of the Year Awards in September. Richard Hayden won the Microsoft Research award for Best Computational Science Student for his project on how performance of large clusters of computers can be modelled and improved. Electrical engineering student Stephen Motley won the e2v Award for the Best Electronic Engineering Student for his project on a portable endoscopy training simulator. The SET awards are multidisciplinary and are supported by British industry and Britain's leading scientific and technical institutions.



Using a microwave oven and other props, Nicholas Harrigan, postgraduate student in quantum optics, drew praise for his zany presentation on the physics of the microwave oven. Judges said Nicholas was "young, edgy, and endearingly geeky".

Recipe for success

Physics student Nicholas Harrigan was this year's winner of the third annual NESTA FameLab competition, impressing the judges with his demonstration on the science of microwaves at the Cheltenham Science Festival in June. Nicholas, Imperial's first winner of the competition, is a postgraduate studying quantum information. He won the £2,000 prize at this national

event that aims to discover the new voices of UK science and engineering, wearing a full chef's outfit.

Watch Nicholas's winning presentation at the national final:
https://www.s19streamserver.co.uk/famelab/flo7_fina_nh_winner.mov



In the first visit of his premiership to a UK university, Prime Minister Gordon Brown toured the Institute of Biomedical Engineering in October. During the visit he took a special interest in the virtual operating theatre used for cardiac microsurgery. The College's Director of Medical Imaging, Professor Guang-Zhong Yang (centre), discussed the potential advantages and applications of robotic surgical devices, such as the Da Vinci robot, whilst Lord Darzi (left) demonstrated a virtual medical procedure.

Racing Green off to a flying start

The first showcase for Imperial's Racing Green project was the Institution of Mechanical Engineers' parliamentary reception on innovation in engineering attended by Malcolm Wicks, then Minister for Science and Innovation, in April. Racing Green brings together students from across the Faculty of Engineering as part of the *EnVision 2010* project and aims to design, build and race a zero-emission electric hybrid fuel cell racing car. The team is currently preparing to race in the new Formula Zero Championships in the summer of 2008.

Listen to an interview about Imperial Racing Green on the ABC Science Show:
www.abc.net.au/rn/scienceshow/stories/2007/2058218.htm

Imperial steals the show

Imperial research featured in four of the 23 interactive exhibits at the 2007 Royal Society Summer Science Exhibition, an event showcasing the best of UK science, engineering and technology. Dr Roger Kneebone (Medicine) and his team gave the public the chance to try out virtual surgery techniques. Professor Guang-Zhong Yang (Engineering) and colleagues showed off intelligent miniaturised body sensors. The Institute for Systems Biology (Natural Sciences) showed how scientists and engineers are proposing to make counters, sensors, calculators and other devices out of living bacteria. And another team, including Dr Steve Bradshaw (Natural Sciences), and collaborators from other British universities ran an exhibit explaining what happens when there is an immense eruption known as a coronal mass ejection (CME) on the sun.

Centenary Ball

Over 2,500 students and staff danced the night away at the College's Centenary Ball in June. Dinner for 500 people, hosted by the Rector and attended by Imperial alumnus, Trevor Phillips, was held in a giant marquee on the Queen's Lawn. Other highlights of the evening included a fun fair, fireworks, a whole host of music acts and bands, and a burlesque show.



figures and facts

Imperial College London at a glance

5

Imperial is ranked fifth in the world in the 2007 *Times Higher Education Supplement* world university rankings.

14

14 Nobel laureates and two Fields Medallists have been members of Imperial College either as staff or students.

74

In 2006–07 technology transfer company Imperial Innovations had equity holdings in 74 spin-out companies. The College made 366 invention disclosures to the company over the same period.

12,000

Imperial has over 12,000 students. In 1907, the year of its foundation, 600 students were enrolled.

120,000

Imperial has 120,000 alumni in 190 countries around the world.

£556.2m

Imperial's turnover was £556.2 million in 2006–07, of which research income represented £230 million, an increase of 12 per cent.

Report of the Chief Operating Officer



Dr M.P. Knight
Chief Operating Officer

Scope of the financial statements

The financial statements comprise the consolidated results of the College, its subsidiaries and the Students' Union. There have been no changes in the scope since the previous year. The subsidiaries undertake activities which for legal or commercial reasons are more appropriately channelled through limited companies or other vehicles. Such activities include the commercial exploitation of ideas and inventions, consultancy and scientific services, and renting of College space.

The financial statements have been prepared according to the *Statement of Recommended Practice: Accounting in Further and Higher Education Institutions (SORP 2003)* and other relevant accounting standards.

Results for the Year—Key Highlights

The College's consolidated income and expenditure for year to 31 July 2007 and the net cash/borrowing position at that date are summarised as follows:

	2006/07 £m	2005/06 £m	Change %
Income	556.2	503.6	10
Expenditure	555.9	503.4	10
Surplus from operating activities	0.3	0.2	
Exceptional income from sale of fixed asset investments	–	10.7	
Tax and minority interest	2.4	0.3	
Use of accumulated income within specific endowments	0.6	0.4	
Surplus for the year	3.3	11.6	
Grants from HEFCE	155.2	148.2	5
Academic Fees and Support Grants			
Home and EU students (full time)	16.1	13.9	16
Overseas students	56.0	47.8	17
Other	13.1	10.3	28
	85.2	72.0	18
Research Income			
UK research councils	70.8	61.7	15
UK charities	63.7	62.5	2
UK industry	30.3	27.0	12
European Union and overseas	44.7	36.7	22
Other	20.5	17.0	21
	230.0	204.9	12
Capital Expenditure			
Externally funded	35.3	56.6	-38
College funded	62.9	59.0	7
	98.2	115.6	-15
Cash and Borrowings			£m
Cash and short term investments	135.2	143.9	(8.7)
Long term borrowings	(123.2)	(123.2)	–
	12.0	20.7	(8.7)

It is pleasing to note that, in its Centenary year, the College's financial position has remained robust.

Of particular note is the fact that total income rose by 10 per cent, which is outstanding. Most remarkable of all was the increase in research income to £230 million, a rise of 12 per cent, and a credit of the stature of the College's research community (see Fig. 1). It is gratifying to note that all components of the research income rose, i.e. the increase was not merely due to additional Full Economic Cost (FEC) income from research councils.

Student fees rose, as one would expect, from strong demand by overseas students for an Imperial College education and as a result, for the first time, of top-up fees from domestic entrants.

Of course, such is the nature of the underlying financial position of a UK higher education establishment, that it will come as no surprise that just as the income level grew substantially, so the cost base of the College rose by an almost identical amount. Those elements that were under the College's control have been tightly managed and this has increased the College's capacity to sanction discretionary expenditure in academic areas: a quarter of the increased cost base was represented by a rise in staff costs, which reflects both the wage pressure in the sector as a whole and the College's desire to reward performance by its outstanding academic staff. And, as noted last year, investing in ongoing research facilities very often hits the operating cost base. Lastly, the College has consolidated the results of Imperial Innovations of which it owns 59 per cent; Innovations made a loss under UK GAAP, as expected at this stage of the development of its business, although it had at the year end £19 million of cash in its balance sheet.

The net effect of the absolute and the discretionary cost increases produced the now familiar story of a very small operating surplus (£0.3 million), on a turnover of £556 million.

Perhaps of more interest are the developments in the balance sheet.

Capital expenditure by the College continued to be high at £98 million with a commensurate increase in fixed assets to £576 million (see Fig. 2). In this context, the most notable project carried out by the College was the £55 million rebuilding of the Southside halls of residence, largely completed in the financial year and ready for occupation by students for the 2007–08 academic year. The College funded capital expenditure of £63 million masks the fact that total capital expenditure was some £98 million, with substantial funds committed by third parties. The burden of managing a range of projects to such a value is high; the cost control exerted on such a programme of works during the year was gratifyingly tight, with few incidences of cost overrun and a number of projects brought in under budget.

Fig. 1 ► RESEARCH INCOME

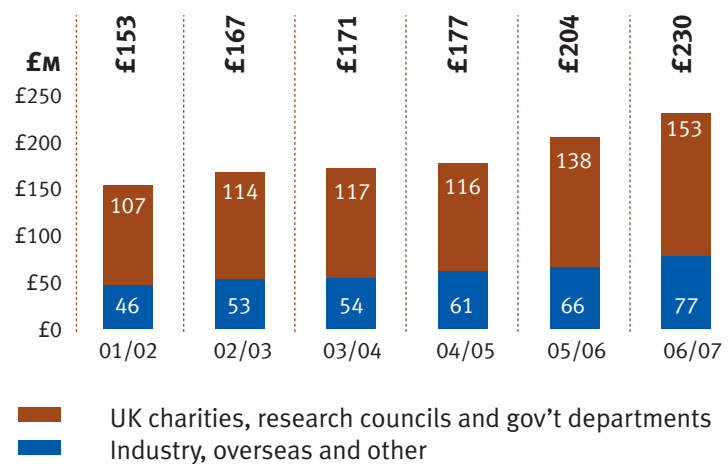
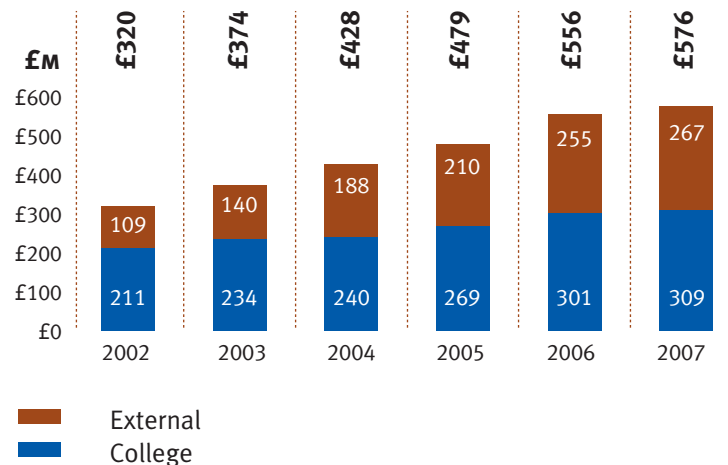


Fig. 2 ► FIXED ASSETS



It is pleasing to note that, in its Centenary year, the College's financial position has remained robust.



A second noteworthy item in the balance sheet concerns working capital management. Notwithstanding the growth in income, the debtor book fell from £29 million to £23 million and the net research work-in-progress position improved from £47 million to £53 million. This reflects tough, day-to-day, operational management and an appreciation across the College of the importance of tight financial discipline. The benefits of this were seen in the cash position of the College, where the net debt position, excluding Imperial Innovations, at the year end was £7 million, with a positive working capital flow of £45 million. This cash flow picture enabled our Treasury team to take advantage of the interest rate environment, to obtain an overall positive interest position, notwithstanding a gross indebtedness figure of £123 million.

For the future, the concerns raised last year remain with us: the worst fears about the full effect of the fEC regime hurting absolute research income volumes were not realised in the year, but the fear remains; there is greater, but not total, clarity about the impact of the mechanisms of the HEFCE Research Assessment Exercise on the future stability of funding for the College's research activity. The introduction of top-up fees produced a relatively small net benefit to the College's finances; utilising a substantial sum to provide bursaries and scholarships to deserving students — a welcome step — reduced the aggregate benefit.

We await the outcome of the 2007 Comprehensive Spending Review and have planned prudently. Clearly, we hope that government support for the scientific base of the UK will continue at the welcome level of recent years.

The College, however, is aware that external parties prefer to support those who help themselves. That is why the College put in place its borrowing programme when the credit environment was positive, i.e. before the recent market turmoil; why the College has raised funds for Imperial Innovations at times when equity markets looked favourably on technology stocks; why the College has structured the management of its non-core assets to ensure, via the newly constituted College Fund Board under the chairmanship of Mr Stewart Newton, that an investment focused approach is taken to the long-term optimisation of their value. In this way, the College can legitimately hope to obtain the academic benefits from its ability to increase the availability of freely disposable capital.

The financial mission of the College remains on course: to manage the day-to-day finances in a professional and robust manner, whilst simultaneously building the College's own capital resources to provide a prudent base of enhanced academic activity. The results for 2006–07 paint a positive picture in this regard, a satisfactory base from which Imperial College can commence its life as a university in its own right in its Centenary year.

Dr M.P. Knight
Chief Operating Officer

The College is committed to exhibiting best practice in all aspects of corporate governance. This statement is provided to enable the reader of the financial statements to obtain a better understanding of the governance and legal structure of the College.

The College endeavours to conduct 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 with the guidance to universities from the Committee of University Chairmen in its *Guide for Members of Higher Education Governing Bodies in the UK*, the latest edition of which was published by the Higher Education Funding Council for England (HEFCE) in 2004.

The College is an independent corporation whose legal status derives from a Royal Charter granted under Letters Patent in 1907. Its objects, powers and framework of governance are set out in its Charter and Statutes, which were granted by Her Majesty The Queen in 1998. In 2006 the College concluded that its objects and duties would be better achieved and performed if it were a separate university in its own right and therefore agreed with the University of London that Imperial's status as a College of the University of London should be withdrawn. On 4th April 2007 a Supplemental Charter and Statutes were granted by Her Majesty. This Supplemental Charter, which came into force on the date of the College's Centenary, 8 July 2007, established the College as a university with the name and style of "The Imperial College of Science, Technology and Medicine".

The Charter and Statutes require the College to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities as follows:

- ▶ **The Council** is 'the governing and executive body of the College', and is responsible for the finance, property, investments and general business of the College, and for setting its general strategic direction. There are 19 members of the Council, the majority of whom are external members, including the Chairman and Deputy Chairman. Also included in its membership are representatives of the staff of the College and of the student body. None of the external members receive any payment, apart from the reimbursement of expenses, for the work they do for the College.

- ▶ **The Court** is a large, mainly formal body. It offers a means whereby the wider interests served by the College can be associated with it, and provides a public forum where members of the Court can raise any matters about the College. The Court normally meets once a year to receive the College's Annual Report and audited financial statements. In addition, major changes to the College's constitution require the approval of the Court before they can be submitted to the Privy Council. The Court consists of some 160 members most of whom are from outside the College and appointed by appropriate bodies representing educational, research, international, regional and local interests. Its

membership also includes representatives of the College's staff and students.

- ▶ **The Senate** is the academic authority of the College and draws its membership entirely from the academic staff and the students of the College. Its role is to direct and regulate the teaching and research work of the College.

The principal academic and administrative officer of the College is the Rector who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the College. Under the terms of the formal Financial Memorandum between the College and the Funding Council, the Rector is the Designated Officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. The financial management of the College is prescribed in the Financial Regulations approved by the Council and conducted in accordance with the Financial Memorandum with the Funding Council.

As Chief Executive of the College, the Rector exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and the shaping of the institutional ethos. He is supported by a Management Board comprising the Rector and Deputy Rector, the Principals of the Faculties and the Tanaka Business School, the Chief Operating Officer, the Director of Strategy and Planning, the Pro Rector for Corporate Affairs and the College Secretary.

The Council is responsible for the College's system of internal control and for reviewing its effectiveness. Its approach is risk-based and includes an evaluation of the likelihood and impact of risks becoming a reality and also ensures that risk assessment and internal control procedures are embedded in the College's ongoing operations. The reviews included in the College's risk-based Strategic Audit Plan cover business, operational and compliance issues as well as financial risk. Such a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Council's view is that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2007 and up to the date of approval of the annual reports and accounts, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

The Council meets at least four times a year and has three committees, the Audit Committee, the Remuneration and Nominations Committee and (since August 2007) the College Fund Board. These are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of external members. All are chaired by external members of the Council. The deci-

sions of these committees are formally reported to the Council.

- ▶ **The Audit Committee** meets three times a year with the College's internal and external auditors in attendance. It considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the College's business and monitors adherence to regulatory requirements. The Committee reports directly to the Council and has the authority to call for any information from the College officers, from internal and external auditors and from others whom it considers necessary to consult in order to discharge its responsibilities effectively. Whilst senior officers attend meetings of the Committee, they are not members of it. Once a year the Committee meets the external auditors on their own for independent discussions. The Audit Committee also receives regular reports from Internal Audit and from the Management Board. Its role in this area is confined to a high level review of the arrangements for internal control, value for money and risk management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

- ▶ **The Remuneration and Nominations Committee** determines the remuneration of senior staff in the College including the Rector and also considers nominations for membership of the Court and Council, and of the latter's Committees.

- ▶ **The College Fund Board** was established by the Council in August 2007 to manage College assets that are not essential to the core academic mission of the College and that can therefore be managed with a pure investment focus. The Terms of Reference of the College Fund Board include an obligation to maintain a diversified portfolio of investments, to have regard to the suitability of the investments within this portfolio and to manage the investments in a way that is appropriate to achieve the Investment Objective set by the Council. The Investment Objective necessitates growth in value of the non-core assets in line with inflation whilst also providing a regular distribution for the core academic mission of the College. Within these restrictions, the College Fund Board is authorised to make such investments as it sees fit.

- ▶ **The Management Board** receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units.

The College maintains a Register of Interests of members of the Council and of Senior Officers which may be consulted by arrangement with the Clerk to the Court and Council.

The College Secretary is the Clerk to the Court and Council. Any enquiries about the constitution and governance of the College should be addressed to him.

Responsibilities of the Council



The Council has agreed to adopt the Governance Code of Practice published by the Committee of University Chairmen, and accordingly has approved the following Statement of Primary Responsibilities:

1. To approve the mission and strategic objectives of the College, its long-term business plans and key performance indicators, and to ensure that these take account of the interests of the College's stakeholders.
2. To safeguard the good name and values of the College.
3. To appoint the Rector, the College's chief executive, and to put in place suitable arrangements for monitoring his/her performance.
4. To delegate authority to the Rector, as chief executive, for the academic, corporate, financial, estate and personnel management of the College.
5. To ensure the establishment of systems of control and accountability, including financial and operational controls, risk assessment, and procedures for managing conflicts of interest; and monitor the effectiveness of these systems.
6. To ensure that processes are in place for regular monitoring and evaluation of the performance and effectiveness of the College against its approved plans and key performance indicators.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To be the principal financial and business authority of the College, to ensure that proper accounts are kept, to approve the annual budget and financial statements, and to have overall responsibility for the university's assets, property and estate.
9. To be the College's legal authority and, as such, to ensure that systems are in place to ensure that all its legal obligations, including those arising from contracts and other legal commitments made in its name, are properly met.
10. In accordance with the College's Charter and Statutes, to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the College.
11. To ensure that the College's Charter and Statutes are adhered to at all times, with appropriate advice available as necessary.

12. To approve the College's human resources strategy.
13. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.
14. To appoint a Clerk to the Council and ensure that accountability for his/ her performance in that capacity is properly separated from such managerial responsibilities as he/ she may have in the College.

In accordance with the College's Charter and Statutes, the Council is responsible for the efficient management and good conduct of all aspects of the affairs of the University (including its finances and property). It is required to present audited financial statements for each financial year. As such it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Charter of Incorporation, the *Statement of Recommended Practice (SORP) on Accounting in Higher Education Institutions* and other relevant accounting standards. In addition, and in accordance with the formal Financial Memorandum between the College and the Higher Education Funding Council for England, the Council, through its Designated Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- the *SORP* and applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- the College has adequate resources to continue in operation for the foreseeable future and for this reason the financial statements are prepared on a going concern basis.

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 condi-

tions 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 College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

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

- clear definitions of the authority delegated to principals of faculties and heads of academic and administrative departments as set out in the College's approved Levels of Authority;
- approval by Council each year of a College budget and a three-year rolling College plan which, whilst driven from the academic standpoint, are based on detailed financial projections of all College budget centres;
- a comprehensive monthly review of the financial performance of all budget centres and update of forecast outturns with a report to the Rector and senior College staff, to the Management Board and to Governors at each Council meeting;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Council;
- an internal audit service, reporting to the Clerk to the Court and Council, whose risk-based Strategic Audit Plan of work (based upon the College's Risk Register) is approved by, and conclusions subsequently reviewed by, the Audit Committee.

The Audit Committee, on behalf of the Council, regularly reviews the effectiveness of the internal controls in the College and its subsidiaries. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.



Members of Imperial's Council photographed at their away day in September 2007. Standing from left to right: Tony Mitcheson, Steve Smith, Sir Peter Gershon, Stephen Brown, Kate Owen, Jeremy Newsum, Robert Sinden, John Wood, David Begg, Ram Gidoomal, Martin Knight. Seated: David Wilbraham, Sir Richard Sykes, Lord Kerr, George Gray, Philippa Couttie.

The Council

Chairman:

- ▶ The Lord Kerr of Kinlochard

Deputy Chairman

- ▶ Dr G.G. Gray

Co-opted External Members:

- ▶ Mrs P. Couttie
- ▶ Sir Peter Gershon
- ▶ Mr B. Gidoomal
- ▶ Ms C. Griffiths (from 25 November 2006)
- ▶ Mr J.H.M. Newsum
- ▶ Mr S. Newton (from 1 October 2007)
- ▶ Ms K. Owen
- ▶ Mr A.D. Roche (until 24 November 2006)
- ▶ Dr D.J. Wilbraham (until 30 September 2007)
- ▶ Baroness Wilcox

Ex-Officio:

- ▶ Rector: Sir Richard Sykes
- ▶ Deputy Rector: Professor Sir Leszek Borysiewicz (until 30 September 2007)

Senior Staff Representatives:

- ▶ Professor D.K.H. Begg
- ▶ Professor Dame Julia Higgins (until 30 September 2007)
- ▶ Dr M.P. Knight
- ▶ Professor Sir Peter Knight
- ▶ Professor S.K. Smith
- ▶ Professor J. Wood (from 1 October 2007)

Elected Staff Member:

- ▶ Professor R.I. Kitney (until 31 August 2007)
- ▶ Professor R. Sinden (from 1 September 2007)

President, Imperial College Union:

- ▶ Mr J. Collins (until 31 July 2007)
- ▶ Mr S. Brown (from 1 August 2007)

Clerk to the Court and Council:

- ▶ Mr K.A. Mitcheson (until 30 September 2007)
- ▶ Dr R.F. Eastwood (from 1 October 2007)

Audit Committee

Chairman:

- ▶ Dr G.G. Gray

Membership:

- ▶ Mrs P. Couttie
- ▶ Ms C. Griffiths (from 25 November 2006)
- ▶ Mr A.D. Roche (until 24 November 2006)
- ▶ Dr D.J. Wilbraham (until 30 September 2007)
- ▶ Ms K. Kantor (co-opted)

Secretary:

- ▶ Mr J.B. Hancock

Remuneration and Nominations Committee

Chairman:

- ▶ The Lord Kerr of Kinlochard

Membership:

- ▶ Sir Peter Gershon
- ▶ Dr G.G. Gray
- ▶ Baroness Wilcox

Secretaries:

- ▶ Mr C. Gosling
- ▶ Mr K.A. Mitcheson (until 30 September 2007)
- ▶ Dr R.F. Eastwood (from 1 October 2007)



Independent auditors' report to the Council of Imperial College London

We have audited the financial statements ('the financial statements') of Imperial College London for the year ended 31 July 2007 which comprise the consolidated income and expenditure account, the Group and College balance sheets, the consolidated cash flow statement, the consolidated 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 in accordance with the accounting policies set out therein.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the 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 (SORP)*, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the College in accordance with the Charters and Statutes of the College. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 (SORP)*. We 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 College, 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 College's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE). We also report

to you if, in our opinion, the College 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 Annual Report and Accounts 2006/07 and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises the introduction by the Rector, the achievements spotlight, the Chief Operating Officer's report, the corporate governance statement and the responsibilities of the Council.

The maintenance and integrity of the Imperial College London website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We also review the statement of internal control as part of the corporate governance statement and comment if the statement is inconsistent with our knowledge of the College and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. 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 group'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 institution and the group at 31 July 2007, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and have been properly prepared in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education (SORP)*, and United Kingdom Generally Accepted Accounting Practice (UK GAAP);
- ii. in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the College's statutes and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

23 November 2007

Consolidated income and expenditure account

For the year ended 31 July 2007

	Note	2007 £m	2006 £m
Income			
Funding Council grants	1	155.2	148.2
Academic fees and support grants	2	85.2	72.0
Research grants and contracts	3	230.0	204.9
Other operating income	4	74.6	72.1
Endowment income and interest receivable	5	11.2	6.3
Share of associates' operating results		–	0.1
Total income		556.2	503.6
Expenditure			
Staff costs	6	299.5	280.5
Restructuring costs	6	0.9	4.5
Depreciation	10	32.8	36.7
Other operating expenses	7	217.8	178.8
Interest payable	8	4.9	2.9
Total expenditure	9	555.9	503.4
Surplus from operating activities		0.3	0.2
Exceptional income from sale of fixed asset investments	27	–	10.7
Surplus on ordinary activities before tax and minority interest		0.3	10.9
Minority interest	28	2.4	0.3
Surplus after tax and minority interest		2.7	11.2
Transfer from accumulated income within specific endowments	12	0.6	0.4
Surplus for the year retained within general reserves		3.3	11.6

No operations were discontinued during the year. All operations above are continuing.

Note of historical cost surpluses and deficits

For the year ended 31 July 2007

Surplus on ordinary activities before tax and minority interest	0.3	10.9
Realisation of revaluation gains of prior years on fixed asset investments sold in the year	0.3	0.2
Historical cost surplus before tax and minority interest	0.6	11.1
Historical cost surplus for the year after taxation and minority interest	3.0	11.4

Balance sheets

as at 31 July 2007

	Note	Consolidated		College	
		2007 £m	2006 £m	2007 £m	2006 £m
Fixed Assets					
Tangible assets	10	575.8	556.4	563.1	498.9
Investments	11, 26	57.3	39.5	21.6	13.9
		633.1	595.9	584.7	512.8
Endowment Asset Investments	12	57.6	52.2	57.6	52.2
Current Assets					
Stocks		0.3	0.3	0.2	0.2
Debtors	13	92.1	87.5	104.1	119.2
Investments and short term deposits	24	82.8	1.6	82.8	1.6
Cash at bank and in hand	24	57.3	140.6	27.5	98.3
		232.5	230.0	214.6	219.3
Creditors: amounts falling due within one year	14	(218.1)	(161.0)	(215.1)	(176.0)
Net Current Assets		14.4	69.0	(0.5)	43.3
Total Assets Less Current Liabilities		705.1	717.1	641.8	608.3
Creditors: amounts falling due after more than one year	15	(125.5)	(157.0)	(123.7)	(124.0)
Provisions for liabilities and charges	16	(9.3)	(11.7)	(9.3)	(11.7)
Total Net Assets excluding pension asset		570.3	548.4	508.8	472.6
Pension asset	32	0.1	0.1	0.1	0.1
Total Net Assets including pension asset		570.4	548.5	508.9	472.7

	Note	Consolidated		College	
		2007 £m	2006 £m	2007 £m	2006 £m
Represented by:					
Deferred Capital Grants	17	308.6	301.3	302.7	280.6
Endowments					
Specific	18	54.4	49.6	54.4	49.6
General	18	3.2	2.6	3.2	2.6
		57.6	52.2	57.6	52.2
Revaluation reserve	20	17.4	14.1	2.7	1.0
General reserves					
Income and expenditure account	19, 20	165.0	161.9	145.8	138.8
Share based payments	20	2.9	–	–	–
Pension reserve	20	0.1	0.1	0.1	0.1
General reserves including pension reserve		168.0	162.0	145.9	138.9
Total College Funds		551.6	529.6	508.9	472.7
Minority Interest	28	18.8	18.9	–	–
Total Funds		570.4	548.5	508.9	472.7

The financial statements on pages 21 to 44 were approved by the Council on 23 November 2007 and signed on their behalf by:

The Lord Kerr of Kinlochard, Chairman

Sir Richard Sykes, Rector

Dr M.P. Knight, Chief Operating Officer

Consolidated cash flow statement

For the year ended 31 July 2007

	Note	2007 £m	2006 £m
Net Cash Inflow from Operating Activities	22	35.8	48.1
Returns on Investments and Servicing of Finance			
Income received from endowments		1.5	1.3
Income received from short term investments		6.5	3.3
Income received from fixed asset investments		0.8	1.4
Other interest received		0.7	0.3
Interest paid		(6.3)	(3.3)
		3.2	3.0
Capital Expenditure and Financial Investment			
Payments to acquire tangible assets other than leased equipment		(77.3)	(102.9)
Purchase of fixed asset investments		(13.5)	(5.1)
Total payments to acquire fixed and endowment asset investments		(90.8)	(108.0)
Receipts from disposal of tangible assets		0.9	23.3
Deferred capital grants and lease premiums in advance received		41.8	67.6
Endowments received		0.4	0.2
		(47.7)	(16.9)
Management of Liquid Resources		(83.4)	18.8
Financing			
Net mortgages and loans acquired/(repaid)		-	73.2
		-	73.2
Increase/(Decrease) in Cash	24	(92.1)	126.2

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2007

	Note	2007 £m	2006 £m
Surplus on ordinary activities after tax and minority interest		2.7	11.2
Appreciation of endowment asset investments	12, 18	5.6	4.4
Net endowment additions / (disposals)	12, 18	0.4	0.9
Revaluation of investments within fixed assets		3.4	6.2
Stock option reserve	20	2.6	–
Total recognised gains relating to the year		14.7	22.7
Prior year adjustment		–	0.1
Total gains recognised since last Annual Report		14.7	22.8
Opening reserves and endowments		228.3	
Total recognised gains relating to the year		14.7	
Closing reserves and endowments		243.0	

Statement of principal accounting policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation 'of endowment and fixed asset investments, and in accordance with both the *Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (SORP)* and applicable UK accounting standards.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College, Imperial College Union and all subsidiary undertakings for the financial year to 31 July.

The consolidated income and expenditure account includes the College's share of the income, expenditure and tax of associated undertakings, while the consolidated balance sheet includes investment in associated undertakings at the College's share of their net tangible assets. Associated undertakings are those in which the College has a significant, but not dominant, influence over their commercial and financial policy decisions. A separate income and expenditure account for the parent organisation has not been presented because the College has taken advantage of the exemption allowed under s230 of the Companies Act 1985.

For those subsidiary and associated undertakings that have different accounting year-end dates, interim accounts to 31 July for these companies have been consolidated.

3. Recognition of income and expenditure

Income from restricted donations, research grants and contracts, and other services rendered is included to the extent of the associated expenditure incurred during the year together with any related contributions towards overhead costs.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Income is deferred only when the College has to fulfil conditions before becoming entitled to it or where it has been specified by the donor that the money can be expensed in a future period. Expenditure incurred relates to the receipt of goods and services. This includes patent costs which are written

off in the year that they are incurred rather than being capitalised. A provision for bad debts is estimated on the basis that as debts become older, a higher percentage become irrecoverable.

Where the College disburses funds it has received as paying agent on behalf of the Funding Council or other body, and has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds has been excluded from the income and expenditure account.

4. Pension schemes

The College participates in four principal pension schemes which are funded defined benefit schemes. The schemes are contracted-out of the State Second Pension (S2P). The SAUL, USS and FPS schemes are valued formally every three years by professionally qualified and independent actuaries using the Projected Unit method. The NHS Pension scheme is valued every five years using the Aggregate method. The USS, SAUL and NHS are multi-employer schemes and it is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore, as required by FRS 17 the contributions are charged directly to the income and expenditure account as if the schemes were defined contribution schemes.

The FPS pension scheme is accounted for on the basis of FRS 17. The scheme's assets are included at market value and the scheme's liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The College's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet, with surplus included only to the extent that it is recoverable through reduced contributions in the future or through refunds from the scheme. The current service cost and past service costs are included within staff costs and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on the scheme's liabilities, is included within interest receivable. Actuarial gains and losses, including differences between the expected and actual return on the scheme's asset, are recognised in the statement of total recognised gains and losses.

Imperial Innovations Group plc, a subsidiary of the College, operates a defined contribution pension scheme for its employees, with contributions being charged to the income and expenditure account in the period to which they relate.

5. Foreign currencies

Transactions denominated in Euros and other foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are recognised as part of income and expenditure.

6. Finance leases

Assets held under finance leases together with the related lease obligations are recorded on the balance sheet with initial values equivalent to the purchase price of the asset. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

7. Land and buildings

Purchased land and purchased or constructed buildings are stated at cost. Freehold land is not depreciated while leasehold land is depreciated over the life of the lease. Buildings, including service plant, are depreciated over their expected useful lives or at the rate of 2 per cent per annum of their historical cost (no purchased buildings are held on leases of less than 50 years). Buildings which are still under construction are not depreciated. Where land and buildings are acquired with the aid of specific grants, the grants are treated as deferred capital grants and released to income at the same rate as depreciation is charged.

Buildings acquired on integration of previously independent institutions are brought into the balance sheet at fair value (market value where ascertainable, otherwise depreciated replacement cost) and depreciated over their remaining expected useful lives. An amount equivalent to the fair value of assets so acquired is credited to deferred capital grants and released in the same manner as other such grants.

Costs incurred in relation to buildings after their initial acquisition are capitalised only to the extent that they increase the expected future benefits beyond those originally assessed. The cost of such enhancements are depreciated at the rate of 2 per cent per annum, or over the life of the asset if shorter. Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

Some accommodation within associated hospitals is occupied rent free by the College but this is approximately offset by College accommodation occupied rent free by them.

A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

8. Equipment

Equipment, including computers and software, costing less than £50,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and, once in service, depreciated over its expected useful life or at 20 per cent per annum, with the administrative computer system being depreciated over eight years; equipment acquired for specific research projects is depreciated over the remaining life of the project (generally three years). A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income at the same rate as depreciation is charged.

9. Reserves

Discretionary reserves are earmarked for specific purposes by the management of the College whereas non-discretionary reserves are legally restricted.

10. Investments

Endowment asset investments and listed fixed asset investments are included in the balance sheet at market value less a provision, where appropriate, to reflect restrictions in their marketability. Fixed assets investments that are not listed on a recognised stock exchange are carried at cost less any provision for impairment in their value except where costs are revalued in compliance with accounting standards. Current asset investments are included at the lower of cost and net realisable value. Increases/decreases in value arising on the revaluation of fixed asset investments are carried to the revaluation reserve; a diminution in value is taken to the income and expenditure account to the extent it is not covered by a previous revaluation surplus. Investments in associated companies where the input from the College is represented only by the intellectual property rights are valued at zero historical cost.

11. Stocks

Only the value of stocks held in the refectories and central stores are included on the balance sheet. They are valued at the lower of cost and net realisable value.

12. Cash flows and liquid resources

Cash flows comprise increases and decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours has been agreed. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable stores of value. They include term deposits, government securities and loan stock held as part of the College's treasury management activities. They exclude any such assets held as endowment asset investments.

13. Taxation status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gain Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Notes to the accounts

1. Funding Council Grants	Note	2007 £m	2006 £m
Recurrent—teaching		53.3	49.9
Recurrent—research		86.9	82.4
London Whole Institutions		1.2	1.7
Clinical Pay Award		–	1.7
Higher Education Innovation Fund (HEIF)		1.3	1.4
Research capital initiative and project capital allocations		4.8	2.3
Science Research Investment Fund (SRIF)		23.5	35.8
Other specific grants		0.9	1.1
		171.9	176.3
Grants from Higher Education Funding Council for England (HEFCE)			
Transferred to deferred capital grants in the year			
Buildings		(17.7)	(31.3)
Equipment		(10.4)	(6.3)
Deferred capital grants released in the year			
Buildings	17	7.4	5.9
Equipment	17	4.0	3.6
		155.2	148.2

2. Academic Fees and Support Grants	Registered student numbers		2007 £m	2006 £m
	31 Dec 2006	31 Dec 2005		
Full-time home and European Union students	8,499	8,171	16.1	13.9
Full-time overseas students	3,630	3,319	56.0	47.8
Part-time students	895	807	5.9	3.2
Research training support grants			3.3	2.3
Short course fees			3.9	4.8
			85.2	72.0

Research training support grants include £1.9 million (£1.6 million in 2006) of tuition fees paid in respect of full-time home and European Union

Total numbers of full-time and part time students are 13,024 in 2007 and 12,297 in 2006 (excluding RTSG and short courses).

3. Research Grants and Contracts	2007 £m	2006 £m
UK research councils	70.8	61.7
UK government departments, local and health authorities	18.0	14.2
UK industry, commerce and public corporations	30.3	27.0
UK charities	63.7	62.5
UK other	2.5	2.8
European Commission	11.1	9.4
Other European Union and overseas	33.6	27.3
	230.0	204.9
Research income relating to the direct expenditure incurred during the year	195.6	171.0
Contributions towards overhead costs	34.4	33.9
	230.0	204.9

Total research income excludes £6.3 million (£11.3 million in 2006) deferred capital grants received in 2007 but includes £5.7 million (£11.4 million in 2006) released from deferred capital grants.

The UK other income in 2007 includes a restricted grant aid from the Big Lottery Fund (BLF). The total amount awarded is £0.2 million, out of which £0.1 million has been spent and recognised in the year. In July 2007 a new restricted grant of £11.8 million was awarded to the College by BLF (none of which has been received or recognised in the year) to fund an inter-disciplinary study of the natural environment. It will focus on biodiversity and the skills, tools and training associated with the identification and recording of flora and fauna.

4. Other Operating Income	2007 £m	2006 £m
Health and hospital authorities	21.5	22.5
Consultancies and scientific services	6.4	8.1
Donations	5.7	2.8
Residences, catering and conferences	20.0	18.5
Income from exploitation of intellectual property	2.1	1.8
Rents receivable	2.5	1.7
Commissions and fees	1.0	1.0
Other departmental income	5.0	6.0
Released from deferred capital grants on land and buildings	1.6	1.5
Released from deferred capital grants on equipment	0.1	2.3
Other income	8.7	5.9
	74.6	72.1

5. Endowment Income and Interest Receivable	Note	2007 £m	2006 £m
Income from specific endowment investments	18	1.6	1.5
Income from general endowment investments	18	0.1	0.1
Income from long term investments		0.9	0.5
Income from short term investments		7.8	3.8
Other interest receivable		0.7	0.3
Net return on pension scheme		0.1	0.1
		11.2	6.3

Notes to the accounts

6. Staff	Note	2007 £m	2006 £m
Staff costs:			
Wages and salaries		249.9	234.3
Social security costs		22.4	21.3
Other pension costs	32	27.2	24.9
		299.5	280.5
Restructuring costs		0.9	4.5
		300.4	285.0

	2007 £000	2006 £000
Emoluments of the Rector :		
Remuneration	299	280
Social security costs	39	36
Other	10	10
	348	326

The Rector has elected not to join the pension scheme and therefore no employer's contributions have been paid.

	2007 £m	2006 £m
Compensation for loss of office to members of staff earning in excess of £70,000 per annum (3 in 2007, 7 in 2006):		
Payments in respect of loss of office	0.1	0.5

	Full Time Equivalent		Headcount	
	2007 Number	2006 Number	2007 Number	2006 Number
Average staff numbers by major category:				
Research and education	3,067	2,983	3,209	3,115
Professional services	2,163	2,051	2,374	2,253
Technical services	524	548	543	566
Operational services	530	598	696	785
	6,284	6,180	6,822	6,719

The Full-Time Equivalent (FTE) number is based on the headcount but adjusted to include only the pro rata element of part-time staff. The numbers include staff employed by the subsidiary companies and the Students' Union.

Remuneration of higher paid staff (excluding the Rector) for College duties plus payments made on behalf of third parties	2007 Number	2006 Number
£70,000–£79,999	124	99
£80,000–£89,999	75	62
£90,000–£99,999	61	50
£100,000–£109,999	40	34
£110,000–£119,999	21	23
£120,000–£129,999	21	19
£130,000–£139,999	19	22
£140,000–£149,999	29	16
£150,000–£159,999	16	19
£160,000–£169,999	16	15
£170,000–£179,999	7	7
£180,000–£189,999	5	4
£190,000–£199,999	5	3
£200,000–£209,999	3	4
£210,000–£219,999	4	2
£220,000–£229,999	2	–
£240,000–£249,999	1	1
£270,000–£279,999	–	1

Remuneration of higher paid staff excludes employer's pension contributions. Payments made on behalf of third parties include NHS Distinction Awards and payments to staff for consultancy services made through subsidiaries.

7. Other Operating Expenses	2007 £m	2006 £m
Research grants and contracts	91.2	68.9
Consultancies and scientific services	1.0	3.0
Short courses	1.3	1.3
General expenditure in academic departments	33.7	25.9
Residences, catering and conferences	11.7	11.7
Central support services	22.7	20.5
Fellowships, scholarships and prizes	3.1	2.8
Books, periodicals and other library expenditure	5.0	4.5
Facilities and maintenance of premises	37.0	36.2
Auditors' remuneration	0.3	0.2
Auditors' fees in respect of non-audit services	0.1	0.6
Other, including Students' Union	10.7	3.2
	217.8	178.8

8. Interest Payable	2007 £m	2006 £m
Bank and other loans wholly repayable after more than one year	4.6	2.6
Other financing costs	0.3	0.3
	4.9	2.9

Notes to the accounts

9. Analysis of Expenditure by Activity	Staff costs £m	Depreciation £m	Other operating expenses £m	Interest payable £m	2007 Total £m	2006 Total £m
Academic departments	131.6	4.3	35.0	0.1	171.0	159.8
Academic services:						
Libraries and information services	4.2	–	5.0	–	9.2	8.7
Central computer and computer networks	8.1	2.6	6.5	–	17.2	15.2
Other	7.2	–	5.7	–	12.9	11.9
Total academic services	19.5	2.6	17.2	–	39.3	35.8
Research grants and contracts	98.7	5.7	91.2	–	195.6	171.0
Residences, catering and conferences	7.1	1.5	11.7	–	20.3	19.6
Premises	14.7	16.9	37.1	–	68.7	64.4
Administration and central services:						
Central administration	17.0	1.6	7.1	–	25.7	23.2
General educational expenditure	1.2	–	5.2	–	6.4	6.1
Staff and student facilities	3.7	0.2	4.0	–	7.9	6.1
Total administration and central services	21.9	1.8	16.3	–	40.0	35.4
Other expenditure:						
Consultancies and scientific services	4.6	–	1.0	–	5.6	6.9
Other, including restructuring costs	2.3	–	8.3	4.8	15.4	10.5
Total other expenditure	6.9	–	9.3	4.8	21.0	17.4
	300.4	32.8	217.8	4.9	555.9	503.4
The depreciation charge has been funded by:	Note	£m				
Deferred capital grants released	17	18.8				
General income		14.0				
Total depreciation charge	10	32.8				

10. Tangible Assets	Consolidated				
	Land and buildings				
Cost	Freehold £m	Leasehold £m	Assets under construction £m	Equipment £m	Total £m
At 1 August 2006	267.7	282.2	71.1	139.5	760.5
Additions	0.6	17.8	56.9	22.9	98.2
Transfers	1.4	11.6	(13.0)	–	–
Disposals	(4.2)	(0.4)	(36.2)	(18.6)	(59.4)
At 31 July 2007	265.5	311.2	78.8	143.8	799.3
Depreciation					
At 1 August 2006	50.4	69.6	–	84.1	204.1
Charge for year	7.1	10.7	–	15.0	32.8
Eliminated on disposals	(1.5)	(0.2)	–	(11.7)	(13.4)
At 31 July 2007	56.0	80.1	–	87.4	223.5
Net Book Value					
At 31 July 2007	209.5	231.1	78.8	56.4	575.8
At 1 August 2006	217.3	212.6	71.1	55.4	556.4
	College				
	Land and buildings				
Cost	Freehold £m	Leasehold £m	Assets under construction £m	Equipment £m	Total £m
At 1 August 2006	266.0	275.8	21.8	136.1	699.7
Additions	0.6	17.3	65.5	22.8	106.2
Transfers	1.4	11.6	(13.0)	–	–
Disposals	(4.2)	(0.4)	–	(18.6)	(23.2)
At 31 July 2007	263.8	304.3	74.3	140.3	782.7
Depreciation					
At 1 August 2006	50.4	69.5	–	80.9	200.8
Charge for year	7.0	10.4	–	14.8	32.2
Eliminated on disposals	(1.5)	(0.2)	–	(11.7)	(13.4)
At 31 July 2007	55.9	79.7	–	84.0	219.6
Net Book Value					
At 31 July 2007	207.9	224.6	74.3	56.3	563.1
At 1 August 2006	215.6	206.3	21.8	55.2	498.9

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Under a 2004 arrangement a finance lease on land was acquired by the College from the Hammersmith Hospitals Trust for the construction of new research buildings for use by the College and by GlaxoSmithKline (GSK) and the Medical Research Council (MRC) under finance leases. All leases have been fully paid hence no finance lease debtor or creditor is reported in the accounts. The land held under the finance lease at a cost of £1.7 million and cumulative depreciation of £0.1 million have been included under freehold.

Notes to the accounts

11. Investments	Note	Consolidated		College	
		2007 £m	2006 £m	2007 £m	2006 £m
Investment in subsidiary companies at cost		–	–	6.2	3.0
Investment in other associated undertakings		0.5	0.7	0.1	0.1
Other fixed asset investments	26	56.8	38.8	15.3	10.8
		57.3	39.5	21.6	13.9

As at 31 July 2007 the College's direct equity holdings in subsidiary and associated companies, all of which are wholly-owned except as shown, were as follows:

Company	Activity	Holding %
IC Consultants Ltd	Consultancy and scientific services	100
Imperial Activities Ltd	Commercial property services	100
Imperial College (S) Pte Ltd	Supply of MBA courses in Singapore	100
Extracalm Co Ltd	Administrative services	100
Extracalm Cleaning LLP	Cleaning services	
Private Patient Healthcare Ltd	Private patient healthcare services	100
Burlington Danes Construction Ltd	Construction and property services	100
Imperial Bioincubator Ltd	Provision of facilities to spin-out companies	100
Imperial College Company Maker Ltd	Dormant	100
Imperial College Ltd	Dormant	100
Imperial MBA Ltd	Dormant	100
Imperial College London Ltd	Dormant	100
Imperial Innovations Group plc	Commercialisation of ideas and inventions	59
Natural Resources Intl Ltd	Environmental consultancy and scientific services	50

All companies are registered in England, except for Imperial College (S) Pte Ltd, which is registered in Singapore.

On 17 August 2006, World Scientific Publishing Company Pte Limited (WSPC) acquired all of the shares in Imperial College Press Ltd for £0.1 million, thus making WSPC the sole shareholder. The College had a 49 per cent share in Imperial College Press Ltd until that date.

12. Endowment Asset Investments	Consolidated and College						
	Balance 2006 £m	Disposals £m	Additions £m	Net expenditure from capital £m	Transfers between investments £m	Appreciation/ revaluation £m	Balance 2007 £m
UK equities	29.1	–	–	–	(2.4)	2.4	29.1
International equities	10.5	–	–	–	2.3	1.9	14.7
Absolute return investments	5.0	–	–	–	(0.1)	0.8	5.7
Property fund	4.3	–	–	–	(0.2)	0.3	4.4
Investment property	0.9	–	–	–	–	0.2	1.1
Cash balances with fund managers	0.7	–	–	–	(0.3)	–	0.4
Short term investments/Cash	1.7	(0.3)	0.7	(0.6)	0.7	–	2.2
Total	52.2	(0.3)	0.7	(0.6)	–	5.6	57.6
Fixed interest and equities at cost	43.4						46.1

13. Debtors: amounts falling due within one year	Consolidated		College	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts due on research grants and contracts				
Debtors	22.9	29.2	22.9	29.2
Work in progress	36.2	32.6	36.2	32.6
Other debtors	10.5	8.7	6.4	5.6
Prepayments and accrued income	24.2	18.5	18.8	15.1
Amounts owed by group undertakings	–	–	21.4	38.2
Provision for bad debts	(1.7)	(1.5)	(1.6)	(1.5)
	92.1	87.5	104.1	119.2

14. Creditors: amounts falling due within one year	Consolidated		College	
	2007 £m	2006 £m	2007 £m	2006 £m
Bank overdraft	7.1	–	7.1	–
Research payments received on account	89.0	79.6	89.0	79.6
Creditors	11.7	9.4	10.0	6.9
Social security and other taxation payable	8.1	7.1	7.8	7.0
Accruals and deferred income	102.2	64.9	91.4	70.9
Amounts owed to group undertakings	–	–	9.8	11.6
	218.1	161.0	215.1	176.0

15. Creditors: amounts falling due after more than one year	Consolidated		College	
	2007 £m	2006 £m	2007 £m	2006 £m
Other taxation payable	0.5	0.8	0.5	0.8
Lease premium payments	–	31.5	–	–
Loans repayable	123.2	123.2	123.2	123.2
University Challenge Fund grants and Revenue Share Liability	1.8	1.5	–	–
	125.5	157.0	123.7	124.0

The College has arranged four unsecured sterling borrowing facilities.

1. A 30-year £50 million private placement arranged through Royal Bank of Scotland with a small number of institutions. It takes the form of loan notes. The facility was drawn down in a single amount in March 2003 and is not repayable until 2033. Interest at a fixed rate of 5.39 per cent is payable annually in arrears.
2. A 15-year £23.2 million facility from the European Investment Bank. The facility was drawn in a single amount in December 2005 and repayments start in 2009. Interest at variable rates is payable quarterly in arrears.
3. A 50-year £50 million private placement arranged through Royal Bank of Scotland with a small number of institutions. It takes the form of loan notes. The facility was drawn in a single amount in July 2006 and is not repayable until 2056. Interest at a fixed rate of 4.84 per cent is payable annually in arrears.
4. A 15-year £50 million facility from the European Investment Bank. When drawn the facility will be repayable over the last 12 years of its term and interest will be payable over the whole 15-year term.

Notes to the accounts

16. Provisions for liabilities and charges	Restructuring provision £m	Decommissioning of engineering facility £m	Total £m
Consolidated and College			
At 1 August 2006	3.5	8.2	11.7
Provided in the year	0.8	–	0.8
Utilised / written back in the year	(2.9)	(0.6)	(3.5)
Unwinding of the discount	–	0.3	0.3
At 31 July 2007	1.4	7.9	9.3

A number of restructuring programmes are currently underway within the College with the aim of reducing costs.

The decommissioning provision relates to a potential liability to remove a specialist engineering facility. It is expected that a substantial contribution towards decommissioning costs will be made by external sources.

17. Deferred Capital Grants	Consolidated			College
Note	HEFCE & JISC grants £m	Other grants & benefactions £m	Total £m	Total £m
At 1 August 2006				
Buildings	176.6	94.9	271.5	251.0
Equipment	20.3	9.5	29.8	29.6
Total	196.9	104.4	301.3	280.6
Cash receivable				
Buildings—specific funding (incl. transfers)	15.7	2.1	17.8	32.4
Equipment—specific funding	10.4	5.7	16.1	16.1
Total	26.1	7.8	33.9	48.5
Eliminated on disposals				
Buildings—specific funding	(1.2)	(0.8)	(2.0)	(2.0)
Equipment—specific funding	(0.1)	(5.7)	(5.8)	(5.8)
Total	(1.3)	(6.5)	(7.8)	(7.8)
Released to income and expenditure				
Buildings	(7.4)	(4.1)	(11.5)	(11.3)
Equipment	(4.0)	(3.3)	(7.3)	(7.3)
Total	(11.4)	(7.4)	(18.8)	(18.6)
At 31 July 2007				
Buildings	183.7	92.1	275.8	270.1
Equipment	26.6	6.2	32.8	32.6
Total	210.3	98.3	308.6	302.7

18. Endowments		Consolidated and College			
		Note	Specific £m	General £m	Total £m
At 1 August 2006			49.6	2.6	52.2
Additions			0.4	0.3	0.7
Disposals			(0.3)	–	(0.3)
Appreciation of endowment asset investments			5.3	0.3	5.6
Income for the year		5	1.6	0.1	1.7
Expenditure in the year			(2.2)	(0.1)	(2.3)
At 31 July 2007			54.4	3.2	57.6
Representing:					
Fellowships and scholarships funds			9.8		9.8
Prizes funds			1.9		1.9
Chairs and lectureships funds			28.7		28.7
Other funds			14.0	3.2	17.2
			54.4	3.2	57.6

19. Income and Expenditure Account	Consolidated £m	College £m
Surplus after tax and minority interest	3.3	7.0
Transfer from revaluation reserve	(0.2)	–
Balance at 1 August 2006	161.9	138.8
Balance at 31 July 2007	165.0	145.8

20. Statement of Movements on Reserves					Consolidated
	Opening balance £m	Surplus for the year £m	Transfer from to/(from) reserves £m	Movement in year £m	Closing balance £m
Specific non-discretionary reserves					
Harlington student fund	2.0			0.3	2.3
Imperial College Union funds	2.0		(0.1)	(0.2)	1.7
Subsidiary and associate companies' reserves	21.4		(0.3)	(3.6)	17.5
	25.4		(0.4)	(3.5)	21.5
General reserve	136.5	3.3	0.2	3.5	143.5
Total income and expenditure reserves	161.9	3.3	(0.2)	–	165.0
Pension reserve	0.1			–	0.1
Revaluation reserve	14.1		(0.2)	3.5	17.4
Share based payments	–		0.3	2.6	2.9
Total reserves	176.1	3.3	(0.1)	6.1	185.4

Opening balances have been reclassified between non-discretionary and general reserves to reflect subsidiary reserves as non-discretionary.

21. Related Party Transactions

For some years the College has maintained a Register of Interests of all governors, academic and academic-related staff. Policies incorporated within the College's Financial Regulations require an individual to declare an interest and withdraw from any commercial discussions should a conflict of interest potentially arise. Written assurances have been obtained from all governors and senior officers of the College in respect of themselves and their close family that for the year to 31 July 2007 they have not unduly influenced any transaction between the College and a related party, as defined by FRS 8.

Commercial relationships with companies or other organisations that might be regarded as related parties have been reviewed. During the year, the College purchased goods and services amounting to £6.4 million and received research grants and contracts amounting to £20.4 million from such parties. Research grants include £17.5 million from the Wellcome Trust where Professor Sir Leszek Borysiewicz, the Deputy Rector, is a governor. The Wellcome Trust has detailed guidelines and controls which require that Governors withdraw from any discussion or decision making on the award of grants where there may be a conflict of interest. Purchased goods and services include £6.3 million from the Hammersmith Hospitals NHS Trust. Dr R.F. Eastwood, Director of Strategy and Planning, is a member of the Board of Hammersmith Hospitals NHS Trust. He had no involvement in transactions between the two institutions. In common with many universities, other senior members of the College sit on research councils and other grant awarding bodies which have their own internal procedures to avoid potential conflicts of interest. Sir Richard Sykes is a member of the HEFCE Board. Professor Leszek Borysiewicz is the Chairman of the Main Panel A Assessment Panel for the HEFCE RAE 2008.

Dr M.P. Knight is the Chairman of the College's subsidiary Imperial Innovations Group plc (Imperial Innovations) and fees of £60k were paid by Imperial Innovations to Merrycroft Ltd, in which Dr Knight has a beneficial interest, for the provision of the Chairman's services to Imperial Innovations. Dr Tidu Maini is a Non-Executive Director of Imperial Innovations and fees of £32k were paid to him by that company for the provision of his services to Imperial Innovations. Dr M.P. Knight was also awarded options over ordinary shares of Imperial Innovations and held ordinary shares in Imperial Innovations at 31 July 2007. Further details of Dr Knight's shares and options in the ordinary share capital of Imperial Innovations are given in the Directors Remuneration Report (page 26) and in Note 27 on Related Party Disclosures within the Imperial Innovation's Annual Report for the year ended 31 July 2007 which is publicly available.

In common with a number of other College employees, the Rector, in his individual capacity, owns ordinary shares in Imperial Innovations Group plc, a subsidiary of the College. The total shareholding owned by the College employees, including the Rector, continues to represent less than one half of one per cent of the issued share capital.

The College has close relationships with a number of west London NHS Trusts with whom the College shares a number of sites and facilities. College staff work closely with those Trusts particularly in the clinical service areas.

22. Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	2007 £m	2006 £m
Surplus on ordinary activities before tax and minority interest	0.3	10.9
Depreciation	32.8	36.7
Deferred capital grants released to income	(18.8)	(24.7)
Investment income	(11.2)	(6.3)
(Profit)/loss on disposal of fixed assets	1.9	(10.1)
Increase in stock option obligation	4.4	–
Share of (profits) of associated companies	–	(0.1)
Interest payable	4.6	2.5
Decrease in debtors	0.5	14.2
Increase in creditors	23.7	26.3
Increase/(decrease) in provisions	(2.4)	(1.3)
Net cash inflow from operating activities	35.8	48.1

23. Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2007 £m	2006 £m
Increase/(decrease) in cash in the period		(92.1)	126.2
Increase/(decrease) in short term investments		83.4	(18.8)
New finance leases/loans		–	(73.2)
Change in net funds		(8.7)	34.2
Net funds at 1 August		20.7	(13.5)
Net funds at 31 July	24	12.0	20.7

24. Analysis of Changes in Net Funds

	Balance 1 Aug 2006 £m	Cash flow £m	Balance 31 Jul 2007 £m
Cash at bank and in hand	140.6	(83.3)	57.3
Endowment assets	1.7	(1.7)	–
Bank overdraft	–	(7.1)	(7.1)
	142.3	(92.1)	50.2
Short term investments			
Endowment assets	–	2.2	2.2
Others	1.6	81.2	82.8
Debt due within one year	–	–	–
Debt due after one year	(123.2)	–	(123.2)
	20.7	(8.7)	12.0

Short term investments represent deposits with terms of up to 12 months.

Notes to the accounts

25. Access Funds	2007 £000	2006 £000
Balance at start of the year	82	33
Funding Council grants	189	329
Interest earned	6	6
	277	368
Disbursements	(237)	(286)
Balance unspent at end of the year	40	82

Funding Council grants are available solely for students and the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

40

26. Fixed Asset Investments	Note	Balance 1 Aug 2006 £m	Additions/ (disposals) in year £m	Balance 31 Jul 2007 £m
Subsidiary undertakings' investments		28.0	13.5	41.5
Other investments		10.8	4.5	15.3
Other fixed asset investments	11	38.8	18.0	56.8
Investments in associated undertakings		0.7	(0.2)	0.5
Fixed asset investments	11	39.5	17.8	57.3

27. Exceptional Items	2007 £m	2006 £m
Exceptional income from sale of fixed asset investments	–	10.7

28. Minority Interest

The minority interest of £2.4 million in the result for the year and of £18.8 million in the net assets as at 31 July 2007 relates entirely to Imperial Innovations Group plc. The increase in the year is due to dilution of College's interest from 71 per cent to 59 per cent with effect from 31 July 2006.

29. Capital Commitments	Consolidated and College	
	2007 £m	2006 £m
Capital commitments for major building projects contracted at 31 July	53.1	72.2

30. Contingent Liabilities

The College is a member of Universities Mutual Association (Special Risks) Ltd, a company limited by guarantee, formed to provide a mutual association for terrorism risks. If the association sustains a shortfall in any year, members are liable for their pro rata share by way of a supplementary contribution. The association's ability to pay claims is derived from the following sources:

1. The reserve fund of £10 million accumulated from members' contributions;
2. A £15 million internal loan facility from member institutions (Imperial College is not a participating institution);
3. Aggregate reinsurance layers totalling £550 million, with an inner limit of £275 million any one loss, obtained through the Bermudan and Lloyds insurance markets;
4. In any indemnity year before the year has been closed, the Board may call for a supplementary contribution of an amount that the Board thinks fit to be paid by each member entered for that indemnity year.

The College is involved in a number of legal cases. No material financial liabilities are anticipated.

31. Post balance sheet events

On 26 October 2007 the College's subsidiary, Imperial Innovations Group plc, announced that it is seeking to raise £30 million by a Placing of new ordinary shares at a price of 370 pence per share with institutional investors. The College has committed to subscribe for some 800,000 ordinary shares in the Placing which will dilute its holding to 52.3 per cent of the enlarged issued share capital of Imperial Innovations Group plc.

32. Pension Schemes

The College participates in four separate, independently managed, defined benefit, occupational pension schemes, which are contracted out of the State Second Pension (S2P); each is valued by professionally qualified and independent actuaries, triennially except the NHS Scheme which is quinquennially. The USS, SAUL and NHS pension schemes are multi-employer schemes and it is not possible to identify the College's share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and hence, as required by FRS 17, contributions to the schemes are accounted for as if they were defined contribution schemes. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting period.

Imperial Innovations Group plc, a subsidiary of the College, operates a defined contribution pension scheme for its employees, managed by Friends Provident, with contributions being charged to the income and expenditure account in the period to which they relate. The company contributes up to 10.5 per cent of pensionable salary to the scheme for existing employees and 8.5 per cent for new employees.

USS

Staff paid on academic and academic-related scales, who are otherwise eligible, can acquire pension rights through the Universities Superannuation Scheme (USS), which is a national scheme administered centrally for UK universities. The assets of the scheme are held in a separate trustee-administered fund. At the latest valuation as at 31 March 2005, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover 77 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings. The actuary also valued the scheme on a number of other bases as at the valuation date.

Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126 per cent funded at that date; under the Pension Protection Fund regulations

introduced by the Pensions Act 2004 it was 110 per cent funded; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90 per cent.

The approximate FRS 17 position as at 31 March 2007 estimates that the funding level is 109 per cent.

The College contribution rate required for future service benefits alone at the date of valuation was 14.3 per cent of pensionable salaries but the trustee company, on the advice of actuary, decided to maintain the College contribution rate at 14 per cent of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment.

SAUL

The College participates in the Superannuation Arrangements of the University of London (SAUL), a centralised defined benefit scheme for all eligible employees with the assets held in separate Trustee-administered funds. The College has now adopted FRS 17 for accounting for pension costs. It is not possible to identify the College's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8–12 of FRS 17. The last available valuation was carried out as at 31 March 2005 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. As a whole, the market value of the scheme's assets was £982 million representing 93 per cent of the liability for benefits after allowing for expected future increases in salaries. In relation to future service liabilities it was assumed that investment return above prices was 6.5 per cent per annum and nominal salary increases above prices of 1.5 per cent per annum.

The contribution rate required for future service benefits alone at the date of the valuation was 19.7 per cent of salaries per annum. The ongoing contribution rate has increased from August 2006 from 10.5 per cent to 13 per cent of pensionable salaries per annum for existing employers. Member contributions have also increased to 6% of salaries with effect from the same date. Employers who have recently joined SAUL (new employers) and certain employee groups (as agreed by the trustees of SAUL), pay 19.2 per cent of salaries per annum until the second actuarial valuation after entry.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed the scheme to be broadly balanced at the last formal valuation date.

NHS

Staff who have pension rights in the NHS Pension Scheme, on taking up a post within the College, may remain in membership of that scheme which is the nationally administered scheme for the National Health Service. The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the College to identify its share of the underlying scheme. Therefore, the Scheme should be accounted for as if it were a defined contribution scheme in accordance with FRS 17.

The Scheme is subject to a full valuation every five years. The results of the latest valuation at 31 March 1999 were published in 2003. In 2003–04 employers paid 7 per cent but the rate did not include the cost of pension indexation funded directly by the Treasury. In November 2002, Ministers announced the transfer of indexation costs to the Scheme costs and as a result employers have been charged 14 per cent from April 2004. Employees pay contributions of 6 per cent of their pensionable pay.

Notes to the accounts

The main features of the most recent valuations of the three principal schemes, under a FRS 17 basis, are as follows:

Latest actuarial valuations	USS 31 Mar 2005	SAUL 31 Mar 2005	FPS 1634 31 Mar 2005
Assumptions			
Investment returns per annum—past service liabilities	4.5%	5.5%	5.0%
Investment returns per annum—future service liabilities	6.2%	6.5%	
Salary scale increases per annum	3.9%	4.15%	4.0%
Pension increases per annum	2.9%	2.65%	2.7%
Results			
Market value of assets at date of last valuation	£21,740m	£982m	£10.7m
Regular contribution rate	14.3%	19.7%	24.2%
Variation from regular cost	(0.3%)	(9.2%)	(24.2%)
Proportion of members' accrued benefits covered by the actuarial value of the assets	77%	93%	106%

FPS Defined Benefit Scheme

The Federated Pension Scheme 1634 (FPS) is the scheme St Mary's Hospital Medical School operated for non-academic staff prior to 1 August 1988, when it was closed to new entrants. Two thirds of the membership elected to transfer into SAUL at that time and the contributing membership is now 1.

A qualified independent actuary carried out a full actuarial valuation on 31 March 2005. The major assumptions used by the actuary and results of the scheme have been recorded above, under the projected unit (SSAP24) basis. For the purposes of reporting under FRS 17 a valuation was undertaken on 31 July 2007, and details are as follows:

Assumptions	2007	2006
Price inflation per annum	3.5%	3.1%
Salary inflation per annum	4.8%	4.4%
Rate of increase to pensions in payment	3.3%	2.9%
Rate of increase to pensions in deferment	3.5%	3.1%
Rate used to discount Scheme liabilities	5.8%	5.1%

The assets in the scheme and the expected rates of return

	Expected rate of return		Market value	
	2007	2006	£m	£m
Equities and property	7.2%	6.6%	4.0	3.9
Annuities	5.8%	5.1%	3.9	3.9
Bonds	5.8%	5.1%	2.7	2.7
Cash	5.1%	4.75%	0.2	0.2
Total			10.8	10.7

FRS 17 has been fully adopted and its effects are as follows:

			Year ended 31 July 2007 £m	Year ended 31 July 2006 £m
Amounts included within operating profit				
Current service cost			0.1	0.1
Past service cost			–	–
Total operating charge			0.1	0.1
The amounts to be included as other finance income				
Expected return on scheme assets			0.6	0.5
Interest on scheme liabilities			(0.5)	(0.4)
Net finance return			0.1	0.1
Amounts to be included in the statement of total recognised gains and losses (STRGL)				
	% of scheme asset/liabilities		£m	£m
	2007	2006		
Difference between expected and actual return on scheme assets	<1%	<1%	–	0.1
Experience gains and losses arising on scheme liabilities	0%	<1%	–	(0.1)
Changes in assumptions underlying the present value of scheme liabilities			0.5	(0.2)
Recognisable surplus adjustment			(0.5)	0.2
Total actual gains and losses recognised in the STRGL	<–1%	–2%	–	–
Movements in scheme's surplus during the year				
	Recognisable surplus		Scheme's surplus	
	£m	£m	£m	£m
Surplus in scheme at beginning of the year	0.1	0.1	1.9	2.2
Movement in year:				
Current service cost	(0.1)	(0.1)	(0.1)	(0.1)
Past service costs	–	–	–	(0.1)
Other finance income	0.1	0.1	0.1	0.1
Actuarial gain/(loss) in STRGL	–	–	0.5	(0.2)
Surplus in the scheme at end of the year	0.1	0.1	2.4	1.9
Value of the scheme's assets and liabilities				
Fair value of scheme assets			10.8	10.8
Present value of scheme liabilities			8.4	8.9
Surplus/(Deficit)			2.4	1.9
Recognisable surplus at year end per FRS 17			0.1	0.1
Unrecognised surplus			2.3	1.8
The pension costs for the College and its subsidiaries under SSAP 24 were:				
			2007 £m	2006 £m
Contributions to USS			18.2	17.2
Contributions to SAUL			5.2	4.0
Contributions to NHS			3.5	3.4
Contributions to Friends Provident			0.2	0.2
FPS current and past service cost per FRS 17			0.1	0.1
			27.2	24.9

Notes to the accounts

33. Funding of Fixed Assets (£m)

Land and buildings at cost	Balance 1 Aug 2006	Additions/(disposals) during the year				Balance 31 Jul 2007
		HEFCE grants	Other grants/donations	College reserves	Transfers	
Land	12.9	-	-	-	-	12.9
Buildings						
Freehold						
South Kensington Campus	172.3	(1.1)	(1.9)	(0.6)	0.6	169.3
Charing Cross Campus	7.1	-	-	-	-	7.1
St Mary's Campus	34.9	-	0.3	(0.2)	0.7	35.7
Royal Brompton Campus	6.0	0.1	0.2	(0.2)	-	6.1
Silwood Park Campus and outstations	9.7	-	-	(0.1)	-	9.6
Wye Campus	13.8	-	-	-	-	13.8
Clayponds	11.0	-	-	-	-	11.0
	254.8	(1.0)	(1.4)	(1.1)	1.3	252.6
Leasehold						
South Kensington Campus	176.0	0.2	0.1	0.9	10.2	187.4
Charing Cross Campus	33.8	-	-	-	-	33.8
Hammersmith Campus	47.5	15.7	-	0.9	0.9	65.0
St Mary's Campus	8.3	(0.4)	-	-	0.5	8.4
Royal Brompton Campus	0.3	-	-	-	-	0.3
Evelyn Gardens	16.3	-	-	-	-	16.3
	282.2	15.5	0.1	1.8	11.6	311.2
Buildings under construction	71.1	1.5	1.5	17.6	(12.9)	78.8
Total land and buildings	621.0	16.0	0.2	18.3	-	655.5

Represented by:	Balance 1 Aug 2006	Additions during the year	Disposals during the year	Balance 31 Jul 2007
Grants from HEFCE	238.3	17.1	(1.7)	253.7
Other grants/donations	126.5	2.1	(1.9)	126.7
Capital expenditure met from reserves	256.2	56.1	(37.2)	275.1
	621.0	75.3	(40.8)	655.5

Equipment at cost	Balance 1 Aug 2006	Additions during the year	Disposals during the year	Balance 31 Jul 2007
Funded from HEFCE grants	35.4	10.4	(0.3)	45.5
Funded from research grants and contracts	44.6	5.2	(13.3)	36.5
Funded from other grants/donations	6.2	-	(4.3)	1.9
Funded from reserves	53.3	6.8	(0.7)	59.4
Donated assets	-	0.5	-	0.5
Total equipment	139.5	22.9	(18.6)	143.8

100 years of living science

100

Ranked the world's fifth best university in the 2007 *Times Higher Education Supplement* university rankings, Imperial College London is a science-based institution with a reputation for excellence in teaching and research that attracts over 12,000 students and 6,000 staff of the highest international quality. Innovative research at the College explores the interface between science, medicine, engineering and management and delivers practical solutions that improve the quality of life and the environment.

Imperial College London celebrates *100 years of living science* in 2007.

www.imperial.ac.uk/Centenary