

# Financial statements

St George's, University of London  
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**2012**



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## Council membership 2011/12

### From 1 August 2011 to 31 July 2012 (up to and including 20 November 2012)

Ms Judith Evans	(Chair of Council)
Mr Anthony Bicknell	
Mr Michael Draper	
Mr Chris North	
Mr Christopher Smallwood	
Professor Richard Smith	(Resigned May 2012)
Mr Michael Stevens	
Ms Catherine Swarbrick	
Mrs Susan Thomas	(Deceased August 2012)
Mr Graham Turner	
Professor Julius Weinberg	
Ms Cathy Wilson	
Professor Sir Nicholas Wright	

### Internal members

Professor Peter Kopelman	(Principal)
Professor Nigel Brown	(Until 31 March 2012) Acting Dean of Research
Professor Adrian Clark	(With effect from 1 April 2012) Dean of Research and Enterprise
Professor Pat Hughes	(Dean of Staff and Students)
Dr Andrew Kent	(Dean of Education)
Professor Alan Johnstone	(End of Term of Office – 30 September 2012) Elected member of academic staff
Professor Fiona Ross	(With effect from 1 October 2012) Elected member of academic staff
Mr Kenton Lewis	(Resigned October 2012) Elected member of support staff
Mr Luke Turner	(End of Term of Office – 30 September 2012) Present of Students' Union 2010-2011
Mr Nana Adu	(Students' Union President 2011–2012)
Mr Matthew Owen	(With effect from 1 October 2012) Students' Union President

### In attendance

Mr Mark Bery	(Director of Finance and Resources)
Mrs Sophie Bowen	(Secretary and Academic Registrar)
Ms Susan Trubshaw	(Head of Governance, Legal and Assurance Services)

## Operating and financial review

### Nature of the organisation

St George's, University of London, established in 1733, is distinctive as the UK's only independent medical and healthcare higher education institution. Its specialist focus and ability to innovate, combined with its dedication to its students, staff and research, sets St George's apart and provides its ability to achieve and prosper during this challenging time for universities.

The University is co-located with St George's Healthcare NHS Trust on its main site in Tooting, South West London, which further contributes to St George's distinctive character.

St George's provides a wide range of high quality undergraduate and postgraduate healthcare, medical and biomedical education programmes to students. Taught degrees are offered in biomedical science, healthcare science, diagnostic and therapeutic radiography, physiotherapy and a four year and five year MBBS in medicine. Foundation degrees in paramedic science, healthcare practice, breast imaging and biomedical science are offered through the Joint Faculty of Health and Social Care Sciences, which is jointly managed with Kingston University.

Clinical teaching is provided at St George's and a number of specialist hospitals in South West London, Surrey, and Sussex as well as in the community. St George's is recognised globally for the quality of its research with a high reputation in areas such as public health and epidemiology, infection and immunity, cardiology, stroke and neuroscience and genetics.

### Vision

St George's vision is to be a thriving medical and healthcare sciences university, integrated with a London teaching hospital, locally, nationally and internationally recognised for excellence and innovation in education and research translated across health and social care through:

- growing its excellent reputation for education and learning by providing its students with an exceptional experience within an interdisciplinary environment;
- pursuing the attainment of excellence in a focused scientific, clinical and educational research portfolio;
- promoting the sharing of knowledge, expertise and opportunities with local, regional, national and international communities;

- building and sustaining collaborative partnerships with universities, the NHS and other relevant organisations within and beyond London;
- developing and maintaining organisational processes and infrastructure to support St George's existing endeavours and to enable the development of new, rewarding opportunities; and
- attracting, retaining and nurturing the most talented staff.

### Public benefit statement

St George's is an exempt charity under the terms of The Charities Act 1993. In setting and reviewing the University's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The overall aim of St George's is to advance learning and knowledge by teaching and research in medicine, nursing, midwifery, the allied health professions, biological sciences, the treatment of illness and any other subject or area as St George's should determine.

St George's is an internationally recognised specialist medical college of the University of London which provides an education, to undergraduate and postgraduate students, within an interdisciplinary environment with over 1,000 students graduating each year from its courses. This education develops students academically and advances their interpersonal and leadership skills, thus preparing them to play full and effective roles within the healthcare field.

*In particular, St George's provides:*

- excellent teaching and clinical facilities, in collaboration with its partners in the SW Area Network, within a hospital environment at one of London's busiest hospitals, St George's Healthcare NHS Trust; and
- social, cultural, musical, recreational and sporting facilities to enable each student to realise as much as possible of their academic and personal potential whilst studying at St George's.

*It advances research through:*

- providing researchers with outstanding research facilities. This research has direct benefits to patients, and has demonstrated longer-term socio-economic impacts with regard to the health, well-being, and quality of life of the general population;
- encouraging and sponsoring visits from outstanding academics and healthcare experts from both the UK and overseas; and

## Operating and financial review

- encouraging and supporting the dissemination of research and healthcare advancements through lectures, seminars and the publication of papers in academic and professional journals or other suitable means.

St George's maintains an extensive healthcare library and archive (including important special collections), so providing a valuable resource for students, researchers, academics and others by arrangement. The primary beneficiaries are the students, researchers and academic staff who are engaged in healthcare education, learning or research. However, beneficiaries also include the students, researchers and academics who have an opportunity to attend educational events at St George's or to use its research and teaching facilities. The general public also directly benefit from St George's healthcare research and activities.

St George's admits as students those who have the highest potential for benefiting from the healthcare education that the medical school and its collaborative partners provide.

There are no ethnic, religious, geographic, socio-political and economic barriers and students, researchers and academics are drawn from the UK and overseas.

The focus of St George's is to maintain its excellent reputation in a focused scientific, clinical and educational teaching and research portfolio; and, to this aim, it strives to attract, retain and nurture the most talented students and staff.

To raise educational aspirations and attract outstanding applicants who might not consider a healthcare career, or applying to the medical school, St George's operates an extensive outreach programme. This programme consists of educational school, open days, admissions symposia for teachers as well as guidance and information on the University website for prospective applicants.

St George's offers a limited number of bursaries/awards each year to those students who achieve outstanding exam results and who are entitled to student support. In addition, Access to Learning Funds (ALF) are provided by the Government to St George's and are administered by the University to provide selective help for students who are in financial difficulties.

In order to fulfil its charitable purposes of advancing education, learning and research, St George's employs both clinical and non-clinical staff. All salaries, stipends and employment related benefits are objectively reasonable, measured against academic stipends generally; moreover annual pay increases normally follow national settlements applying to the university sector. External members of Council receive no remuneration for their services and any payments to them are for the reimbursement of reasonable expenses only in the performance of their duties.

### Finance review and results for the year

As anticipated, 2011/12 was another challenging year for St George's. Research grant income, much of it from charities supporting medical research, fell by £2 million; the UK recession having reduced the income of awarding bodies together with changes in personnel in St George's research community. Responding to the economic climate, St George's has concluded an efficiency savings programme reducing our cost base by £6m.

The following tables analyse the University income and expenditure over the past two years:

Income	2011/12 £m	2010/11 £m
Funding council grants (HEFCE)	31.1	31.2
Academic fees and support grants	18.7	17.5
Research grants and contracts	15.0	17.0
Endowments and investment income	0.3	0.3
Other operating income	19.6	19.3
<b>Total</b>	<b>84.7</b>	<b>85.3</b>

Expenditure	2010/11 £m	2009/10 £m
Staff costs	48.5	51.4
Depreciation	6.0	5.6
Interest and other financial costs	0.8	0.8
Other operating expenses	29.2	27.2
<b>Total</b>	<b>84.5</b>	<b>85.0</b>
<b>Surplus</b>	<b>0.2</b>	<b>0.3</b>

Despite the modest surplus, the University managed to generate over £2m of cash in the year and St George's continues to hold a strong cash position while making use of borrowing facilities where appropriate for investment in income generating assets including halls of residence and new facilities. During 2011/12 £4.7m of a £13m facility with Santander was drawn down to fund the second phase of the Halls of Residence and phase 1 of a project to provide teaching facilities for the INTO initiatives. The University maintains a strong financial position with reserves of £20.6m and net assets of £58.6m.

## Operating and financial review

### International activities

An important component of the University's Strategic Plan 2010-15 is to broaden St George's international activities to help achieve the following aims:

- to increase the number of students studying at St George's and to broaden the University's student intake, taking advantage of St George's international reputation for educational excellence;
- to strengthen St George's research portfolio by integrating the University's focused research strengths with international partners and students, and by increasing postgraduate research numbers; and
- to increase and diversify the University's sources of income to help maintain its long term sustainable financial good health.

Whilst the initial build up phase of the international strategy will require investment by the University, it is anticipated that these activities will make a significant contribution to the University's income within the medium term.

#### Major Institutional Initiatives

Two major international initiatives have been advanced during the 2011/12 academic year:

- MBBS franchise to the University of Nicosia, Cyprus

St George's has franchised its four year Graduate Entry Programme to the University of Nicosia (UNic) which has established a new medical school. The first two years of the programme will be delivered at a purpose built campus in UNic, with the clinical third and fourth years being delivered by partners, initially within Israel, approved by St George's within course validation procedures.

St George's primary roles within the franchise arrangement are to:

- validate the University of Nicosia as a suitable institution to operate the programme via the prescribed procedures laid down by the QAA;
- undertake programme development activities and provide training to UNic tutors teaching the programme;
- provide Quality Assurance of the programme, including supporting UNic in the set up and monitoring of required student support and administration; and
- award the MBBS (Nicosia) to successful graduates of the programme.

The programme was successfully validated in June 2011 and started in September 2011 with a cohort of approximately 30 students. The programme gained accreditation by the General Medical Council during 2012. In September 2012 the second cohort of 70 students joined the course.

- Joint venture with INTO

In 2011 the University established INTO St George's, University of London (INTO SGUL) a major new joint venture with INTO, a private sector partner. INTO is a rapidly growing network of university-based study centres, offering new and higher quality standards of preparation for undergraduate and postgraduate degrees in the UK and US. INTO has established a number of successful partnerships with other major universities, including 10 universities within the UK. INTO SGUL is its first joint venture in medical education.

Programmes offered by INTO SGUL include:

- Undergraduate Foundation in Medical, Biomedical and Health Care Sciences, supporting recruitment to St George's of the INTO SGUL higher education programmes. This programme was offered in 2011/12;
- BSc Biomedical Sciences (International) programme; and
- two international medical programmes – a four year and a six year programme (which started in 2012/13). The undergraduate programmes (pre-clinical years) will be offered at the St George's site, with the clinical years initially taking place in the US and other agreed locations internationally.

Recruitment to these courses has been slower than anticipated but our expectation is that the venture will make a significant financial and social contribution to St George's.

### Enhancements to student and research facilities

The second phase of an £8.9 million project to upgrade 3,300 square metres of new offices and laboratories was completed and will provide state-of-the-art facilities to support research at the University.

The Advanced Patient Simulator Centre, a joint project between St George's Healthcare NHS Trust and St George's, University of London, officially opened during 2011/12. Using lifelike manikins, this facility provides specialist training for healthcare professionals and students. It allows them to test their skills in practical scenarios based on real-life situations including surgical and medical emergencies.

In response to student feedback, the library has been refurbished to increase study spaces from 120 to 200, which includes a dedicated quiet zone.

The University has completed the first phase of a planned £5 million refurbishment project to create new teaching and learning areas for students to learn together on the established SGUL programmes and the new INTO SGUL internationally focused programmes. The second phase of the project is planned for 2013.

## Operating and financial review

To support the increased demand for student halls as the INTO programme expands, a new block of student halls of residence has been built adjacent to the existing 332 bed halls of residence which was built in 2007. The new halls provide 154 extra student rooms, offer a 300 square metre common room and have been built with the environment in mind and include energy-efficient heating and electrical systems.

### South West London Academic Health & Social Care System

St George's is recognised globally for the quality of its biomedical and clinical research. The University has a close partnership with St George's Healthcare NHS Trust and other partners, most particularly Kingston University in South West London, presenting opportunities for translational research. The strength of the focused research with regard to tertiary services in the trust (stroke, infection and cardiovascular sciences), and its recent success with MRC applications, underlines the University's distinctiveness.

### Risks and uncertainties

A Risk Management and Efficiency Committee is responsible for the management of risk at strategic level. The main risks facing St George's are captured and monitored by this group and reported to the Audit Committee and Council on a regular basis.

The main risk areas identified during 2011/12 were:

- impact of funding changes from DBIS and HEFCE;
- implementation of the recommendations of the Medicines and Healthcare products Regulatory Agency (MHRA) report;
- compliance issues in relation to Health and Safety;
- failure to achieve fEC on research;
- meeting maintenance requirements;
- supply of IT systems to support St George's;
- timely management information;
- risks associated with key income streams such as student recruitment and the outcome of the Research Excellence Framework (REF) through which HEFCE allocates metrics to research activity by assessment of quality, volume and impact of research and uses these as a basis for future funding allocations;
- budgetary control and the ability to control costs, particularly in light of the general economic downturn; and
- risk associated with international initiatives in relation to franchised MBBS course in Cyprus and Joint Venture with INTO.

### Future developments and collaborative arrangements

The UK tertiary education sector is facing a period of continued uncertainty as levels of state support are being reduced or replaced, if not completely and contemporaneously, by higher fee

levels for students. In this environment St George's is fortunate to be a first class medical school offering courses that will remain much in demand for students at home and from overseas.

The economic climate will continue to put pressure on the University's research activities but again the outstanding quality of the academic staff and the increasingly focussed nature of St George's research activities should continue to attract the funding it merits. Focussed research and the appointment of a new full time Dean of Research and Enterprise gives confidence that the University will be able to promote and grow high quality research.

Both the University and NHS Trust have played a key role in gaining acceptance and engagement from a range of stakeholders in a South London Academic Health Science Network, which will bring together NHS Trusts, universities, clinical commissioning groups, the third sector, local authorities, industry, patients and others to implement evidence based practice and innovation across south London in a systematic and comprehensive manner.

The University and NHS Trust are also represented in the new South London Local Education Training Board, a healthcare provider led organisation responsible for multi-professional education and training arrangements. This, together with close involvement in a large and diverse local population will continue to be an important differentiator for medical teaching.

St George's will continue to develop closer collaborative working with its co-located NHS Trust in the areas of education, research and shared services. St George's University of London and St George's Healthcare NHS Trust are taking the opportunity to embrace the opportunities of working closely and now have a Joint Director of Human Resources and a Joint Director of Estates and Facilities. The University has concluded a Memorandum of Understanding with St George's Healthcare NHS Trust. This is a statement of commitment to work together to shape, influence and lead the development of healthcare policy and organisation. The Health and Social Care Act 2012 has initiated a radical restructuring of the health service and the roles of universities in the new structures which are now being defined and implemented.

### Faculty of Health and Social Care Sciences

St George's continues to develop and derive significant benefit from its successful collaboration with Kingston University through the Faculty of Health and Social Care Sciences. This joint faculty, operating across both universities, delivers education in allied healthcare disciplines such as nursing, radiography, physiotherapy and paramedic science which compliment well the disciplines of St George's itself of medicine and biomedical science. The faculty continues to thrive, having just been awarded the contract for nursing and physiotherapy to 2016 in South West London.

## Corporate governance statement

St George's is committed to good practice in all aspects of corporate governance.

The University complies with the provisions of the Combined Code on Corporate Governance insofar as they relate to a higher education institution. St George's also complies with the Guide for Members of Governing Bodies of Universities and Colleges in the UK: Governance Code of Practice and General Principles (March 2009), issued by the Committee of University Chairmen. This includes adherence to 'The Seven Principles of Public Life' (the Nolan Principles). Council has due regard to the Charity Commission's guidance on public benefit. In particular in delivering the objects of St George's, the University meets the charitable purposes of the advancement of education, and also the advancement of health or saving of lives.

The composition of Council is set out on page 2. Council is responsible for the overall strategic direction of St George's. It comprises co-opted external members, students and employees appointed under the School Scheme, the majority being non-executive. The role of Chair of the Council is separate from the role of the Chief Executive, the Principal. The matters specifically reserved to the Council for decision are set out in the Scheme, by custom and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE).

The Council meets at least four times a year and also utilizes various specialist Committees, including a Finance Committee, a Nominations and Honorary Awards Committee, a Remuneration Committee, a Human Resources Committee, an Investment Committee, an Audit Committee and an Estates Committee. All of these Committees are formally constituted with terms of reference. Council and its Committees are currently chaired by co-opted members of Council, except for the Human Resources Committee, which is chaired by the Dean of Staff and Student Affairs. Council is continuously seeking to improve the efficiency of governance and in 2012 merged its Investments and Estates Committees into the Finance Committee.

Formal agendas, papers and reports are supplied to Council members in a timely manner, prior to meeting in accordance with the Standing Orders of Council. Briefings are provided when required. Council has strong and independent co-opted members and no individual or group dominates its decision making process.

The Council receives recommendations and advice in respect of its responsibilities from the Strategy, Planning and Resources Committee. This Committee's membership includes the Principal, Deans, Heads of Academic Divisions and Heads of Administration.

The Finance Committee recommends to Council the annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Human Resources Committee considers proposals for all issues relating to the employment of staff and makes recommendations to the Council.

The other Committees of Council (Nominations and Honorary Awards, Remuneration and Investments) meet less frequently because of the limited nature of their activities. These Committees make reports to Council following their meetings.

The Audit Committee normally meets four times a year, with external and internal auditors invited to attend meetings as appropriate. The Committee considers detailed reports from the internal and external auditors and other relevant reports including any from HEFCE, together with recommendations for the improvement of the systems of internal control, value for money studies and management's response and implementation plans. It also monitors adherence to regulatory requirements. Senior executives attend meetings of the Audit Committee as necessary but are not members of the Committee. Once a year the Committee meets the internal and external auditors without the presence of senior executives. Council is responsible for ensuring that a sound system of internal control is maintained, which supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which Council is responsible, in accordance with the responsibilities assigned to Council in the Scheme and the Financial Memorandum with HEFCE.

Such a system 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 mismanagement or loss. The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is of the view that the process has continued to identify, evaluate and manage significant risks throughout the year to 31 July 2012 and up to the date of the approval of the annual Financial Statements.

During the year Council has maintained the Risk Management Policy throughout the University by:

- reviewing the Risk Management Policy to ensure it continues to identify risk and evaluates the likelihood and impact and communicates this to management;
- holding regular meetings of the Risk Management and Efficiency Committee to develop policies and embed risk management processes into the organisation;
- convening an Estates Committee to monitor major projects and to ensure that these projects have relevant risk registers which are regularly reviewed throughout the duration of the project;

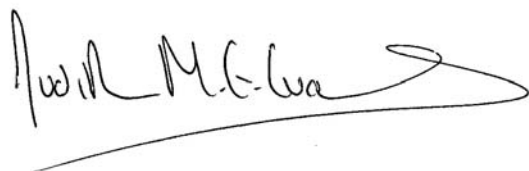
## Corporate governance statement

- producing a risk register and reports of the Risk Management and Efficiency Committee for review by Council and Audit Committee;
- reviewing the risk register which clearly identifies the likelihood and impact of risks. Responsibility for risks has been allocated and the residual risk determined taking account of control mechanisms in operation;
- requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures; and
- commissioning internal audits from Mazars, the University's independent internal auditors. The audit planning is carried out jointly with senior executives and is based primarily on our risk register.

Council receives reports from the Chair of the Audit Committee concerning internal control, the outcome of all audits of the University's activities, including the reports from internal and external auditors and other agencies. Regular reports are received from senior executives on progress of key projects. In this way Council is assured that there is a sound system of internal control and that risk is considered as part of the normal management process.

Regular reviews with lay and elected members are conducted. Key points from those reviews are presented to Council and an action plan agreed to continuously improve the effectiveness of its operation.

After making appropriate enquiries, Council considers that St George's has adequate resources to continue in operational existence for the foreseeable future. The University continues to adopt the going concern basis in preparing the Financial Statements.



Ms Judith Evans  
Chair of Council

## Statement of Council's responsibilities

In accordance with the Charter and Statutes of the University, the Council is responsible for the direction and management of the University's affairs and is required to present audited Financial Statements for each financial year.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the Financial Statements are prepared in accordance with the Scheme, the Statement of Recommended Practice in Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with the Higher Education Funding Council for England, the Council, through the Principal, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that financial year.

### Council has ensured that, in preparing the Financial Statements:

- suitable accounting policies are selected and applied consistently;
- judgments and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed; and
- Financial Statements are prepared on the going concern basis since the Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future.

In practice Council delegates responsibility to the Finance Committee for ensuring that proper accounting records are maintained and Financial Statements are prepared by the Director of Finance & Resources.

Council, through the Principal and the Finance Committee, 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 and any other conditions which the Funding Council may from time to time prescribe. The Principal is responsible for advising the Council if, at any time, any action or policy under consideration by Council appears to the Principal to be incompatible with the terms of the Financial Memorandum agreed with HEFCE.

### Council, through the Audit Committee, has taken reasonable steps to:

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of St George's and to prevent and detect fraud; and
- secure the economical and efficient management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative divisions;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving significant capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee; and
- a professional firm appointed as Internal Auditors, whose annual programme is approved by the Audit Committee and endorsed by Council. The Internal Auditors provide the Council with a report on internal audits undertaken within St George's and an opinion on the adequacy and effectiveness of the system of internal control, including internal financial control.

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

# Independent auditor's report

to the Council of the St George's, University of London

We have audited the group and University financial statements (the "financial statements") of St George's, University of London for the year ended 31 July 2012 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of Responsibilities of the University Council set out on page 9 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

## Matters on which we are required to report by exception

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

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

Chris Wilson



For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Forest Gate, Brighton Road  
Crawley  
RH11 9PT

Date: 22 November 2012

# Statement of principle accounting policies

## 1 Basis of preparation

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of Investments, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2007, and applicable United Kingdom Accounting Standards.

The consolidated Financial Statements do not include those of the Students' Union because the University does not control those activities.

## 2 Basis of consolidation

St George's and Kingston University have a collaborative arrangement (referred to as the Faculty of Health and Social Care Sciences) to provide education for nursing, midwifery, social work and other allied health professions under contracts with several NHS Strategic Health Authorities. Under the terms of the collaborative agreement, assets and liabilities are divided equally, and 50% of the value of the appropriate assets and liabilities has been included in the relevant Balance Sheet figures. The arrangement has been accounted for as a collaborative arrangement that is not an Entity in compliance with FRS9. Income arising from contracts with the NHS Strategic Health Authorities is recorded in the Income and Expenditure Account under Academic Fees and Support Grants (note 2).

The University's consolidated Financial Statements include its share of the Joint Arrangement with Kingston University, its subsidiary undertakings, St George's Estates Limited, St George's Enterprises Limited, St George's Global Ltd, its share of the Joint Venture with INTO University Partnerships Ltd and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31st July 2012.

## 3 Recognition of income

Income from HEFCE recurrent grants, tuition fees and education contracts are included in the Income and Expenditure Account in the period in which it is receivable.

Income from Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred on an accruals basis during the year, together with any related contributions towards overhead costs.

Income from endowments and investments is credited to the Income and Expenditure Account on a receivable basis. 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. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

Non-recurrent grants from HEFCE or other bodies in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Other non-recurrent grants from HEFCE are recognised as income to the extent of the equivalent expenditure during the year.

## 4 Maintenance of premises

Expenditure on maintenance is included as a charge in the year in which it occurs.

## 5 Pension arrangements (see also note 25 to the accounts)

Pension schemes are accounted for in accordance with FRS17 "Retirement Benefits".

Defined contribution scheme contributions are charged to the Income and Expenditure Account as they become payable.

The University's principal schemes are the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). Through the Joint Faculty of Health and Social Care Sciences, a joint activity with Kingston University, St George's also participates indirectly with the Royal Borough of Kingston upon Thames Pension Fund through its jointly employed employees. The Schemes are defined benefit schemes and so provide benefits based on final pensionable pay. The assets of the Schemes are held separately from the University. Defined benefit multi employer schemes, where the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, are accounted for as defined contribution schemes.

St George's also participates in the National Health Service Superannuation Scheme. This is an unfunded scheme with statutory backing. As a result, the amount charged to income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

## 6 Tangible fixed assets

### (a) Land and buildings

Land and buildings are stated at cost. New buildings and whole building refurbishments are depreciated over a period of 50 years. Partial refurbishments including infrastructure upgrades are depreciated over a period of 10 years. The University has a minority interest in the equity of its leasehold properties, which was granted by the Secretary of State for Health and is now assigned to St George's Healthcare NHS Trust. In the event of disposal of any of these properties, the majority of proceeds would revert to the Treasury. There are no outstanding financial obligations for land and buildings held under finance leases.

## Statement of principle accounting policies

Buildings in the course of construction are accounted for at cost, based on the value of architect's certificates and other direct costs to 31 July. They are not depreciated until they are brought into use.

### (b) Equipment and furniture

Equipment costing less than £10,000 per individual item is written off to the Income and Expenditure Account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its estimated useful economic life as follows: -

Motor vehicles and other general equipment	20% per annum
Equipment acquired for specific research or other projects	*20% per annum
Computer equipment	33% per annum
Computer related software	10% per annum

\*(or over the term of the grant)

### (c) Leases

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

Where assets are acquired with the aid of a specific grant, the related grant is credited to a deferred capital grant account and released to income over the expected useful economic life of the asset.

## 7 Intangible fixed assets

Patents, licences, trade marks and other similar rights over assets are charged to the Income and Expenditure Account in full in the year in which they are incurred.

## 8 Investments

Listed fixed assets investments are included in the Balance Sheet at market value. Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provisions for impairment.

## 9 Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## 10 Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to Corporation Tax.

The University is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the costs of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

## 11 Accounting for charitable donations

### (a) Unrestricted donations

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

### (b) Endowment funds

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

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

### (c) Donations of fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

## 12 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## 13 Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate of the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the Income and Expenditure Account.

## Consolidated income and expenditure account

for the year ended 31 July 2012

	Note	Consolidated 2011/12 £'000	Consolidated 2010/11 £'000
<b>Income</b>			
Funding council grants (HEFCE)	1	31,112	31,229
Academic fees and support grants	2	18,711	17,525
Research grants and contracts	3	14,980	16,998
Other operating income	4	19,654	19,345
Endowment income and interest receivable	5	303	285
Total income: group and share of joint ventures		84,760	85,382
Less: share of income from joint ventures	23	(127)	-
Net income		84,633	85,382
<b>Expenditure</b>			
Staff costs	6	48,496	51,376
Depreciation	9	5,984	5,570
Interest and other finance costs	18	786	801
Other operating expenses	7	29,293	27,211
Total expenditure: group and share of joint ventures		84,559	84,958
Less: share of joint ventures expenditure	23	(511)	-
Net expenditure		84,048	84,958
<b>Surplus after depreciation of fixed assets at cost and before tax</b>			
		585	424
Share of operating deficit in joint venture	23	(384)	-
Taxation		-	-
Surplus for the year		201	424
Transfer from/(to) accumulated income in endowment funds		-	2
<b>Exceptional items</b>			
Sale of building		-	1,000
Restructuring costs		-	(1,120)
Surplus for the year retained within general reserves	8	201	306

The consolidated income and expenditure of the University and its subsidiaries relates wholly to continuing operations.



## Statement of total recognised gains and losses

for the year ended 31 July 2012

	Note	2011/12 £'000	2010/11 £'000
Surplus for the year	8	201	306
(Reduction in value)/appreciation of fixed asset investments	9a	(31)	53
(Decrease)/increase of endowment assets	10	(591)	180
<b>Total recognised gains since last year</b>		<b>(421)</b>	539

This statement reconciles the movement in total net assets between Balance Sheet dates by adding back items taken direct to Endowments or Reserves

	2011/12 £'000	2010/11 £'000
<b>Reconciliation</b>		
Opening reserves and endowments	25,387	24,848
Total recognised gains and losses for the year	(421)	539
Closing reserves and endowments	24,966	25,387

## Balance sheet

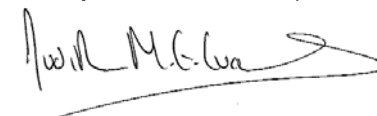
for the period ended 31 July 2012

	Note	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
<b>Fixed assets</b>					
Tangible assets	9	76,329	76,330	67,865	67,865
Investments	9a	714	714	745	745
Investment in joint venture:	23				
Share of gross assets		272	272	-	-
Share of gross liabilities		(656)	(656)	-	-
		76,659	76,660	68,610	68,610
<b>Endowment asset investments</b>	10	4,371	3,150	4,962	3,688
<b>Current assets</b>					
Stocks and stores in hand		6	6	4	4
Debtors	11	14,130	14,098	29,984	29,964
Cash at bank and in hand		14,816	14,395	8,236	8,049
		28,952	28,499	38,224	38,017
<b>Creditors: amounts falling due within one year</b>	12	(30,162)	(30,025)	(34,642)	(34,740)
<b>Net current (liabilities)/assets</b>		(1,210)	(1,526)	3,582	3,277
<b>Total assets less current liabilities</b>		79,820	78,284	77,154	75,575
<b>Creditors: amounts falling due after one year</b>	12a	(21,252)	(21,252)	(15,290)	(15,290)
<b>Net assets</b>		58,568	57,032	61,864	60,285
Represented by:					
<b>Deferred capital grants</b>	13	33,602	33,602	36,477	36,477
<b>Endowments</b>					
Permanent restricted	14	2,206	985	2,262	989
Permanent expendable	14	2,165	2,165	2,700	2,699
		4,371	3,150	4,962	3,688
<b>Reserves</b>					
Revaluation reserve	15	86	86	117	117
General reserve	15a	20,509	20,194	20,308	20,003
		20,595	20,280	20,425	20,120
<b>Total funds</b>		58,568	57,032	61,864	60,285

The financial statements on pages 13 to 32 were approved by the Council on 20 November 2012, and signed on its behalf by



Principal Professor Peter Kopleman



Chair of Council Ms Judith Evans



Treasurer Mr Michael Stevens

## Consolidated cash flow statement

for the year ended 31 July 2012

	Note	2011/12 £'000	2010/11 £'000
Net cash inflow/(outflow) from operating activities	17	16,403	(119)
Returns on investments and servicing of finance	18	(483)	(516)
Capital expenditure and financial investment	19	(13,760)	(1,411)
Cash inflow/(outflow) before financing		2,160	(2,046)
Financing	21	4,420	(309)
Increase/(decrease) in cash		6,580	(2,355)

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2012

	Note	2011/12 £'000	2010/11 £'000
Increase/(decrease) in cash		6,580	(2,364)
Net cash movement		6,580	(2,364)
Decrease/(increase) in loans	21	(4,420)	309
Change in net debt		2,160	(2,055)
Net debt at 1 August 2011	20	(7,317)	(5,262)
Net debt at 31 July 2012	20	(5,157)	(7,317)

## Notes to the accounts

for the year ended 31 July 2012

### 1 Funding council grants (HEFCE)

	2011/12 £'000	2010/11 £'000
Recurrent grant	25,884	26,830
Specific grants		
Higher Education innovation fund	935	1,252
Voluntary Giving Matched Funding	919	-
Deferred capital grants released in year		
Building (note 13)	3,244	2,935
Equipment (note 13)	130	212
	31,112	31,229

### 2 Academic fees and support grants

	2011/12 £'000	2010/11 £'000
Full-time students charged home fees	6,243	5,550
Full-time students charged overseas fees	2,546	2,439
Part time fees	175	221
Non-medical education and training funded by NHS	9,624	9,107
Short course fees	123	208
	18,711	17,525

### 3 Research grants and contracts

	2011/12 £'000	2010/11 £'000
Research councils	1,688	1,754
Other UK Central Government bodies	2,968	2,363
UK industry and commerce	316	123
UK based charitable bodies	6,181	7,372
Overseas	882	1,854
Other sources	127	1,129
EU grants	1,669	1,415
UK health and hospital authorities	686	847
EU other	463	141
	14,980	16,998

## Notes to the accounts

for the year ended 31 July 2012 continued

### 4 Other operating income

	2011/12 £'000	2010/11 £'000
Residences and conferences	1,580	1,483
Services rendered (note 24)	12,288	12,591
Released from deferred capital grants (note 13)	189	193
Other income	5,597	5,078
	<b>19,654</b>	19,345

### 5 Endowment income and interest receivable

	2011/12 £'000	2010/11 £'000
Income from endowment asset investments (note 14)	127	129
	127	129
Other investment income (note 18)	176	156
	<b>303</b>	285

### 6 Staff costs

The average monthly number of persons employed by SGUL during the period expressed as full time equivalent was:

	2011/12 Number	2010/11 Number
Teaching and research activities	436	453
Teaching support services	188	200
Income generating activities	9	10
Catering and residencies	2	1
Administration and central services	122	116
Premises	22	23
Other	29	26
	<b>808</b>	829

## Notes to the accounts

for the year ended 31 July 2012 continued

### 6 Staff costs continued

#### Staff costs for the above persons:

	2011/12 £'000	2010/11 £'000
Wages and salaries	40,114	42,609
Social security costs	3,502	3,612
Other pension costs	4,880	5,155
	<b>48,496</b>	51,376
Teaching and research activities	28,367	30,493
Teaching support services	11,739	12,158
Income generating activities	396	409
Catering and residences	53	21
Administration and central services	6,008	6,099
Premises	862	1,081
Other	1,071	1,115
	<b>48,496</b>	51,376

The number of staff including the Principal, who received emoluments in the following ranges, excluding employers' contributions was:

	2011/12 Number	2010/11 Number
£100,001-£110,000	4	5
£110,001-£120,000	3	4
£120,001-£130,000	7	6
£130,001-£140,000	5	5
£140,001-£150,000	4	5
£150,001-£160,000	3	2
£160,001-£170,000	3	5
£170,001-£180,000	2	3
£180,001-£190,000	1	1
£190,001-£200,000	2	3
£200,001-£210,000	1	1
£220,001-£230,000	1	0
£240,001-£250,000	0	1
£260,001-£270,000	1	0
	<b>37</b>	41

#### Emoluments of the Principal

	2011/12 £'000	2010/11 £'000
Salary	153	161
NHS Distinction Award	76	82
Pension contributions	43	39
Total emoluments	<b>272</b>	282

## Notes to the accounts

for the year ended 31 July 2012 continued

### 7 Other operating expenses

	2011/12 £'000	2010/11 £'000
Teaching activities	4,610	4,748
Research activities	4,374	5,568
Administration	1,716	1,689
Endowment expenditure, fellowships, scholarships and prizes	151	132
Voluntary severance costs	541	-
Premises	7,401	5,503
Services rendered	2,568	2,252
General education	3,901	3,537
Internal auditors remuneration	86	98
External auditors remuneration in respect of audit services	67	65
External auditors remuneration in respect of subsidiaries	3	4
External auditors remuneration in respect of other services	36	85
Residences and conferences operating expenses	828	792
Grants to Student Union	229	229
Other expenses	2,570	2,244
Hire of other assets – operating leases on central print solution	128	122
Staff development	84	143
	<b>29,293</b>	27,211

### 8 Surplus on continuing operations

	2011/12 £'000	2010/11 £'000
The surplus on continuing operations for the period is made up as follows:		
Surplus for the year	170	258
Surplus generated by St George's Estates Ltd and St George's Enterprises Ltd transferred to St George's, University of London	31	48
	<b>201</b>	306

## Notes to the accounts

for the year ended 31 July 2012 continued

### 9 Tangible assets

SGUL and Consolidated

	Freehold £'000	Long leasehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Valuation/cost</b>					
At 1 August 2011	19,593	70,619	11,469	1,648	103,329
Additions (note 19)	-	4,324	457	9,667	14,448
Transfers	(79)	481	467	(869)	-
At 31 July 2012	19,514	75,424	12,393	10,446	117,777

#### Depreciation

At 1 August 2011	1,508	25,386	8,570	-	35,464
Charge for year	398	4,664	922	-	5,984
At 31 July 2012	1,906	30,050	9,492	-	41,448

Net book value

At 31 July 2012	17,608	45,374	2,901	10,446	76,329
At 31 July 2011	18,085	45,233	2,899	1,648	67,865

Capitalised interest in the year was: £151k, 2011: nil.

The depreciation charge for the year has been funded as follows:

	2011/12 £'000	2010/11 £'000
Deferred grant released	3,563	3,340
General income	2,421	2,230
	<b>5,984</b>	5,570

## Notes to the accounts

for the year ended 31 July 2012 continued

### 9a Investments

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
At 1 August 2011	745	745	707	692
Revaluation (unrealised)	(31)	(31)	38	53
At 31 July 2012	714	714	745	745
Represented by:				
Unit Trusts	714	714	745	745
	Cost 2011/12 £	Cost 2010/11 £	Cost 2011/12 £	Cost 2010/11 £
<b>Subsidiary companies</b>				
St George's Enterprise Limited (100% owned)	2	2	2	2
St George's Global Limited (100% owned)	2	2	2	2
St George's Estates Limited (100% owned)	2	2	2	2
	6	6	6	6

St George's Enterprises Limited was a dormant company with net assets of £2 in 2009/10 and began trading during 2010/11. St George's Estates Ltd held an underlease for a building on the School's site which has now been sold and the company is now dormant. During 2010/11 a new subsidiary company was established as a wholly owned subsidiary of St George's, University of London - St George's Global Ltd. St George's Global Ltd holds the University's 50% interest, as one of two partners, in a joint venture established as a limited liability partnership. All three of the subsidiaries are incorporated in Great Britain and registered in England and Wales.

### 10 Endowment asset investments

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
<b>Balance at 1 August 2011</b>	4,962	3,688	4,782	3,612
Deficit on activity (note 14)	(417)	(428)	(3)	(38)
Unrealised gain/(loss) on revaluations	(174)	(110)	183	114
Balance at 31 July 2012	4,371	3,150	4,962	3,688
Represented by:				
Equities	4,095	2,874	4,241	2,967
Cash at bank and in hand	276	276	721	721
Endowment asset investments	4,371	3,150	4,962	3,688

### 11 Debtors

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
Research grants and contracts	6,688	6,688	16,602	16,602
St George's Healthcare NHS Trust	2,767	2,767	3,556	3,556
Other debtors	3,996	3,964	8,592	8,572
Accrued income	315	315	811	811
Prepayments	364	364	423	423
	14,130	14,098	29,984	29,964

## Notes to the accounts

for the year ended 31 July 2012 continued

### 12 Creditors: amounts falling due within one year

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
Bank loans	493	493	308	308
Research grants and contracts	13,036	13,036	19,900	19,900
Social security and other taxation payable	34	34	-	-
St George's Healthcare NHS Trust	154	154	1,712	1,712
Other creditors	11,597	11,269	9,964	9,871
Accruals and deferred income	4,848	4,848	2,758	2,758
Amounts due to subsidiary undertakings	-	191	-	191
	30,162	30,025	34,642	34,740

### 12a Creditors: amounts falling due after one year

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
Bank loan - Barclays	14,962	14,962	15,290	15,290
Bank loan - Santander	4,562	4,562	-	-
HEFCE repayable strategic development fund	1,728	1,728	-	-
	21,252	21,252	15,290	15,290

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
The Barclays bank loan is payable as follows:				
In one year or less	326	326	308	308
Between one and two years	337	337	326	326
Between two and five years	1,130	1,130	1,071	1,071
In five years or more	13,496	13,496	13,893	13,893
Total	15,289	15,289	15,598	15,598

The Barclays bank loan is unsecured and has a fixed interest rate of 5.09% p.a.

	Consolidated 2011/12 £'000	SGUL 2011/12 £'000	Consolidated 2010/11 £'000	SGUL 2010/11 £'000
The Santander bank loan is payable as follows:				
In one year or less	167	167	-	-
Between one and two years	333	333	-	-
Between two and five years	1,000	1,000	-	-
In five years or more	3,229	3,229	-	-
Total	4,729	4,729	-	-

The Santander bank loan is unsecured and has a fixed interest rate of 4.6% p.a.

## Notes to the accounts

for the year ended 31 July 2012 continued

### 13 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated and SGUL			
At 1 August 2011			
Building	31,552	4,582	36,134
Equipment	161	182	343
<b>Total</b>	<b>31,713</b>	<b>4,764</b>	<b>36,477</b>
Income:			
Building	688	-	688
Equipment	-	-	-
<b>Total</b>	<b>688</b>	<b>-</b>	<b>688</b>
Released to income and expenditure:			
Building (note 1)	(3,244)	(158)	(3,402)
Equipment (notes 1 and 4)	(130)	(31)	(161)
Other			
<b>Total</b>	<b>(3,374)</b>	<b>(189)</b>	<b>(3,563)</b>
At 31 July 2012			
Building	28,996	4,424	33,420
Equipment	31	151	182
<b>Total</b>	<b>29,027</b>	<b>4,575</b>	<b>33,602</b>

### 14 Endowments

Consolidated and SGUL	Consolidated			SGUL		
	Permanent restricted £'000	Permanent expendable £'000	Total £'000	Permanent restricted £'000	Permanent expendable £'000	Total £'000
Capital value	2,154	2,867	5,021	916	2,866	3,782
Accumulated income	108	(167)	(59)	73	(167)	(94)
At 1 August: 2011	2,262	2,700	4,962	989	2,699	3,688
(Depreciation)/appreciation of SGUL investments	(26)	(84)	(110)	(26)	(84)	(110)
(Depreciation)/appreciation of Eleanor Peel Investments	(64)	-	(64)	-	-	-
Income for the year (note 5)	58	69	127	22	69	91
Expenditure for the year	(24)	(520)	(544)	-	(519)	(519)
At 31 July 2012	2,206	2,165	4,371	985	2,165	3,150
Represented by:						
Capital value	2,064	2,783	4,847	890	2,782	3,672
Accumulated income	142	(618)	(476)	95	(617)	(522)
	2,206	2,165	4,371	985	2,165	3,150

## Notes to the accounts

for the year ended 31 July 2012 continued

### 15 Revaluation reserve

	Note	2011/12 £'000	2010/11 £'000
Movements on SGUL and the consolidated revaluation reserve			
At 1 August 2011		117	64
Revaluation (unrealised)		(31)	53
At 31 July 2012		86	117

### 15a Movement on general reserve

	Note	2011/12 £'000	2010/11 £'000
At 1 August 2011		20,308	20,002
Surplus on continuing operations	8	201	306
At 31 July 2012		20,509	20,308

### 16 Capital commitments

	2011/12 £'000	2010/11 £'000
Consolidated and SGUL		
Commitments approved but not contracted	390	5,000
Commitments contracted as at 31 July 2012	4,186	14,000

### 17 Reconciliation of consolidated operating surplus to net cash from operating activities

	Note	2011/12 £'000	2010/11 £'000
Surplus		201	306
Depreciation	9	5,984	5,570
Deferred capital grants released to income	13	(3,563)	(3,340)
Investment income	18	(176)	(156)
Share of deficit in joint venture	23	384	-
Endowment income	18	(127)	(129)
Interest paid on bank loan	18	786	801
Decrease/(increase) in stocks		(2)	-
Decrease/(increase) in debtors	11	15,854	(6,944)
Increase/(decrease) in creditors (excluding loans)	12 & 12a	(2,938)	3,773
Net cash inflow from operating activities		16,403	(119)

## Notes to the accounts

for the year ended 31 July 2012 continued

### 18 Return on investment and servicing of finance

	Note	2011/12 £'000	2010/11 £'000
Income from endowments		127	129
Other investment income			
Income on investments		21	21
Interest on cash deposits		155	61
Foreign currency exchange gain		-	74
		176	156
Interest paid on bank loan		(786)	(801)
Net cash inflow/(outflow) from returns on investment and servicing of finance		(483)	(516)

### 19 Capital expenditure and financial investment

	Note	2011/12 £'000	2010/11 £'000
Tangible assets acquired	9	(14,448)	(6,448)
Deferred capital grants received	13	688	5,037
		(13,760)	(1,411)

### 20 Analysis of changes in net debt

	At 1 August 2011 £'000	Cash Flow 2011/12 £'000	At 31 July 2012 £'000
Consolidated and SGUL			
Cash at bank and in hand	8,236	6,580	14,816
Bank loan	(15,553)	(4,420)	(19,973)
	(7,317)	2,160	(5,157)

### 21 Changes in financing during the year

	2011/12 £'000	2010/11 £'000
Consolidated and SGUL		
Loan repayment in year	(309)	(309)
Bank loan drawn down in year	4,729	-
Net cash inflow/(outflow) from financing	4,420	(309)

### 22 Access funds

	2011/12 £'000	2010/11 £'000
Grant from HEFCE	59	58
Interest received	-	-
Grants to students	(58)	(57)
Balance refundable to/(payable by) HEFCE	1	1

The HEFCE grants are available solely for students; SGUL only acts as a paying agent. The grants and related disbursements are therefore excluded from the Income and expenditure account.

## Notes to the accounts

for the year ended 31 July 2012 continued

### 23 investment in joint venture

The University is one of two partners with a 50% interest in INTO St George's Hospital Medical School LLP, a joint venture established as a limited liability partnership. The interest is held on the University's behalf by its wholly owned subsidiary, St George's Global Ltd. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the partnership's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income and expenditure is reported in the institution's consolidated income and expenditure account.

	2011/12 £'000	2010/11 £'000
Income and expenditure account – SGUL share		
Overseas tuition fees	93	-
Residences	30	-
Other income	4	-
SGUL share of joint venture income	127	-
Staff costs	73	-
Depreciation	14	-
Administration	94	-
Premises	98	-
General educational expenditure	139	-
Other expenses	93	-
SGUL share of joint venture expenses	511	-
SGUL share of joint venture surplus/(deficit)	(384)	-
Balance sheet – SGUL share		
Fixed assets	86	-
Cash and bank balances	84	-
Debtors	102	-
Creditors – amounts due within one year	(356)	-
Creditors – amounts due after more than one year	(300)	-
SGUL share of joint venture net assets/(liabilities)	(384)	-

# Notes to the accounts

for the year ended 31 July 2012 continued

## 24 Related party transactions

The University enjoys a close relationship with St George's Healthcare NHS Trust and other health providers and purchaser organisations that actively support medical education. A number of these organisations are represented on the University's Council. Income from these organisations is included within Other Operating Income – services rendered (note 4) and the balance owed by St George's Healthcare NHS Trust, being the most material, is set out in note 11 and amounts due to St George's Healthcare NHS Trust in note 12.

The Faculty of Health and Social Care Sciences provides education for nursing, midwifery and other allied health professions. The Dean of the Faculty is a member of the Strategy Planning and Resources Committee. Under the terms of the Joint Arrangement Agreement, the assets, liabilities, income and expenditure of the Faculty are divided equally between St George's and Kingston University. The University's share of the gross income from the contract is recorded under Academic Fees and Support Grants in note 2, and expenses are included under the appropriate expenditure headings.

The Students' Union is a separately registered legal entity with the Charity Commission. It is a related party through representation by its President on Council. The University provides space and an annual subvention to the Students' Union. The Students' Union provide hospitality services and items from its retail outlets to the University from time to time, for which a charge is made.

Transactions with Council Members are very few and limited to reimbursement of expenses. Council Members complete a statement of related party interests each year detailing any entities for which they are a Director, Partner, Proprietor or Trustee and with which St George's undertakes business.

## 25 Pension schemes

The University participates in three pension schemes for its employees – the Universities Superannuation Scheme (USS), the Superannuation Arrangements of University of London (SAUL), the National Health Service Superannuation Scheme (NHSS) and indirectly participates in the Royal Borough of Kingston upon Thames pension scheme through its joint activity with Kingston University. Each of these schemes are described below.

### USS

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum

of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the first valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA YoB tables – No age rating
Female members' mortality	S1NA YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

# Notes to the accounts

for the year ended 31 July 2012 continued

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increase was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve have been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

### New entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits(CRB) basis rather than a Final Salary (FS) basis.

### Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

### Flexible retirement

Flexible retirement options were introduced.

### Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

### Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as Additional contributions.

### Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.



# Notes to the accounts

for the year ended 31 July 2012 continued

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term finding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from

its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the University had 383 active members participating in the scheme.

The total pension cost for the University was £2,670,151 (2011: £2,883,020). This includes £Nil outstanding contributions at the Balance Sheet Date (2011: £Nil). The contribution rate payable by the University was 16% of pensionable salaries.

# Notes to the accounts

for the year ended 31 July 2012 continued

## SAUL

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The latest valuation was carried out as at 31st March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
– Pre-retirement	6.80% p.a.
– Post-retirement	4.70% p.a.
General* salary increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index Inflation ("RPI")	3.50% p.a.
Consumer Price Index Inflation ("CPI")	2.80% p.a.
Pension Increases in Payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

\*An additional allowance is made for promotional salary increases.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's asset was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of the SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 REVEALED SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increase proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The total pension cost for the University was £552,163 (2011: £593,746). The University had 168 active members participating in the scheme as at 31 March 2012.

## NHSS

The NHSS is funded centrally by the Treasury on a current cost basis. It is an unfunded, multi-employer scheme and as such it is likely that it is not possible to identify St George's share of the assets and liabilities and it is therefore accounted for on a contributions basis. Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A formal valuation of the scheme last took place on 31 March 1999 and the employers' rate is 14%. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis.

The pension cost charged to the University's Income and Expenditure Account for the year was £1,086,239 (2011: £1,158,829). The University had 147 active members participating in the scheme as at 31 March 2012.

## Royal Borough of Kingston upon Thames Pension Fund

St George's indirectly participates in the Royal Borough of Kingston upon Thames pension scheme providing benefits based on final pensionable pay. Because it is not possible to identify the University's share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these Financial Statements as a defined contribution scheme.

The scheme currently has a deficit and whilst it is not possible to consistently and reasonably identify the share of this deficit, there is a potential liability in future years if the deficit continues. The Joint Faculty of Health and Social Care Sciences had 65 active members participating in the scheme at 31 March 2012. The last actuarial valuation was carried out by Hymans Robertson LLP Limited in 2012. The employer contribution rate is 23.3%.

## Notes to the accounts

for the year ended 31 July 2012 continued

### 26 Operating leases

The University has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31st July 2012 was £128,000 (included in note 7). The total of future minimum lease payments under these non-cancellable operating leases for each of the following periods is:-

	Consolidated and SGUL 2011/12 £'000	Consolidated and SGUL 2010/11 £'000
Within 1 year	128	122
Between one and five years	188	170
	<b>316</b>	292

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