



Financial Statements

31 July 2008



Contents

	Page
Council Membership	2
Advisers to SGUL	3
Operating & Financial Review	4
Corporate Governance Statement	14
Statement of the Council's Responsibilities	17
Report of the Auditors	19
Statement of Principal Accounting Policies	21
Consolidated Income and Expenditure Statement	25
Statement of Total Recognised Gains and Losses	26
Balance Sheet	27
Consolidated Cash Flow Statement	28
Notes to the Accounts	29 - 39

External Members

Mr James Cochrane
Mrs Naaz Coker
Ms Judith Evans
Professor Ram Gidoomal
Mr David Greggains
Baroness Elaine Murphy
Ms Isabel Nisbet
Professor Sir Peter Scott
Professor Richard Smith
Mr Colin Stanbridge
Mr Graham Turner

Nominated by the University of London

Professor Stephen Hill
Professor Peter Rigby

Ex-Officio Members

Professor Peter Kopelman (from 1 April 2008)
Professor George Griffin
Professor Sean Hilton
Professor Patricia Hughes

Elected by Academic Staff

Professor John Axford
Professor Paul Wainwright

Elected by Support Staff

Ms Jill Edwards

Elected by Students

Mr Karl McPherson
Mr Paolo Perella

Staff In Attendance

Mr Mark Bery
Mr John Duffy
Miss Susan Trubshaw

Advisers to SGUL

BANKERS:

Royal Bank of Scotland
Floors 8 & 9
280 Bishopsgate
London EC2M 4RB

SOLICITORS

Mills & Reeve
Francis House
112 Hills Road
Cambridge CB2 1PH

AUDITORS

INTERNAL

Mazars
The Atrium Park Street West
Luton LU1 3BE

EXTERNAL

KPMG LLP
1 Forest Gate
Brighton Road
Crawley RH11 9PT

INVESTMENT MANAGERS

Cazenove Fund Management Limited
12 Moorgate
London EC2R 6DA

INTRODUCTION

St George's, University of London (SGUL) provides education and training to a wide range of healthcare and biomedical science students on one campus. It is a college of the University of London based in Tooting, in South West London, on the same site as one of the UK's busiest hospitals, St George's Healthcare NHS Trust.

SGUL's mission is "to promote by excellence in teaching clinical practice and research, the prevention, treatment and understanding of disease."

SGUL offers high quality undergraduate and postgraduate programmes across medicine and biomedical sciences, as well as midwifery, nursing, physiotherapy, radiography, Paramedic Sciences and social work through the Joint Faculty of Health and Social Care Sciences which is jointly managed with Kingston University. SGUL's partnerships with Kingston University, Royal Holloway, NHS London, Social Care institutions and the London Deanery are paramount in providing collaboration and innovation in education.

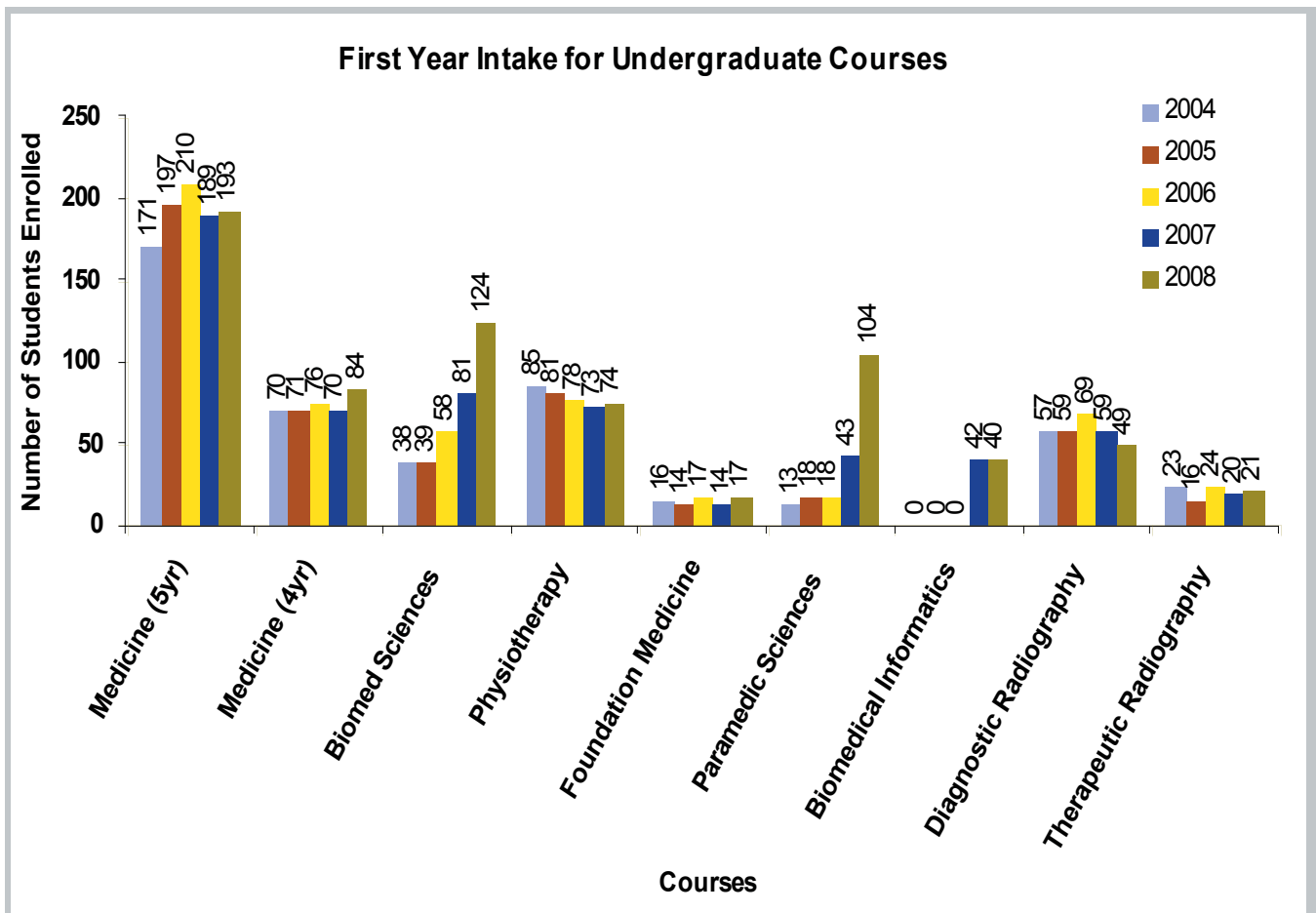
SGUL is recognised globally for the quality of its research, with a high reputation in areas such as infection and immunity, population studies, diseases of the heart and circulation, stroke and neuroscience, genetics and prenatal and infant medicine.

Education

The total number of students on undergraduate programmes is 4,646, which includes students under the Joint Faculty and SGUL's research and teaching partnership with Kingston University and Royal Holloway called the South West London Academic Network (SWan). A five-year analysis of SGUL's numbers demonstrates substantial increase in student numbers over that period.

Academic year	2003/4	2004/5	2005/6	2006/7	2007/8
FT home	1686	1764	1928	2068	2160
FT overseas	109	129	129	131	141
PT	-	20	18	18	110
Short courses (CPD)	1010	1947	1278	1245	2235
TOTAL	2805	3860	3353	3462	4646

The increase over the last 5 years is due to a combination of new courses and an increase in student numbers on the Paramedic Sciences and BSc Biomedical Science courses.

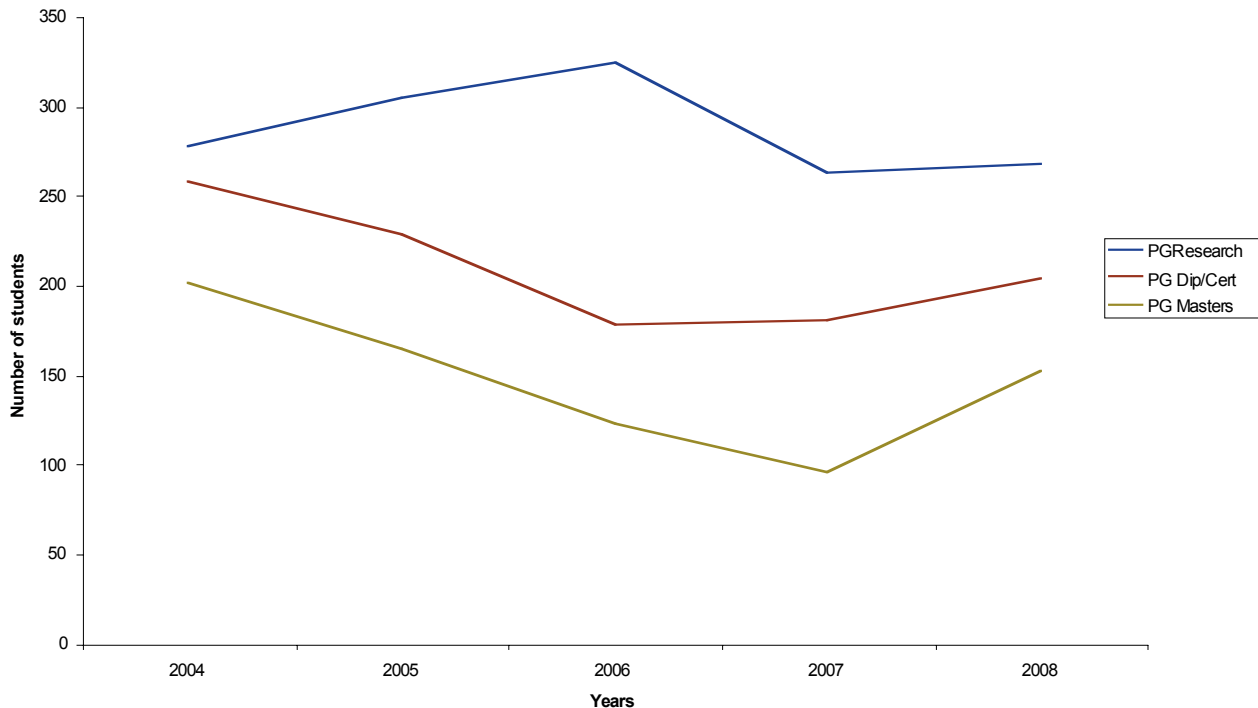


St George's remains a popular choice for applicants as the ratio of applicants per place demonstrates.

Numbers of application per place					
	2003/4	2004/5	2005/6	2006/7	2007/8
Medicine (5yr)	9	9	8	12	8
Medicine (4yr)	23	20	19	20	19
BSc Biomedical Science	12	14	13	12	7
BSc Physiotherapy	8	9	11	10	8
Foundation for Medicine	-	10	10	11	10
Fdn Paramedic Science	-	-	-	-	-
BSc Biomedical Informatics	-	-	-	2	9
BSc Diagnostic Radiography	5	7	8	10	11
BSc Therapeutic Radiography	4	8	6	7	7

The graph below shows an analysis of students on Postgraduate Programmes over the past five years.

Number of Students on Postgraduate Programmes



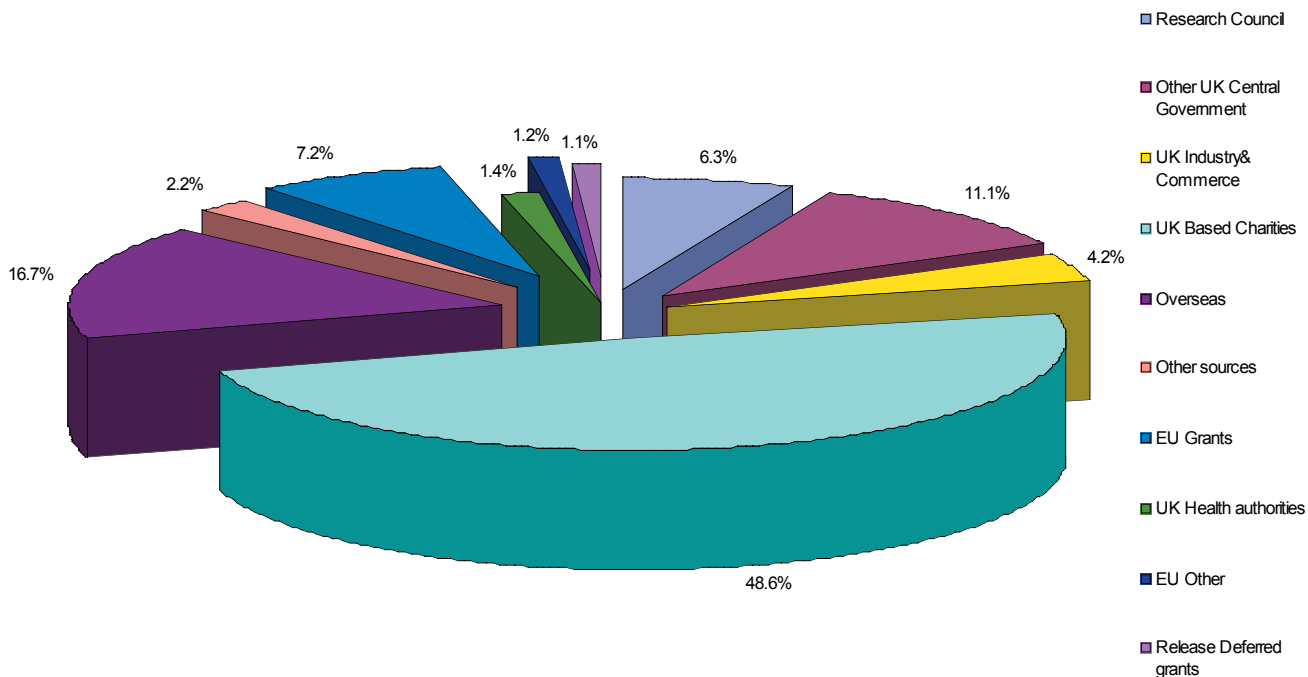
Research

Research continues to form a crucial component of SGUL's academic activity and advances knowledge of biomedical science with translation into healthcare. SGUL continues to achieve international excellence in several areas of basic and clinical research and prides itself on being a research intensive university 22% of total income is received from research sponsors and further 8.2% from HEFCE's support for research. There are 140 research active members of staff generating £18.8m research income per annum. SGUL's funding for research is predominantly from charitable sources (48.6%) and benefits from the Charities Support Fund, which partly meets the full cost of undertaking research. The results of the 2008 RAE will heavily influence SGUL's financial position over the next few years. SGUL is currently reviewing its research strategy for the next 5 years with the aim of building a critical mass of research activities that can achieve the strategic vision of becoming a Centre of Excellence, hosting well supported researchers in high quality facilities, producing research of high impact.

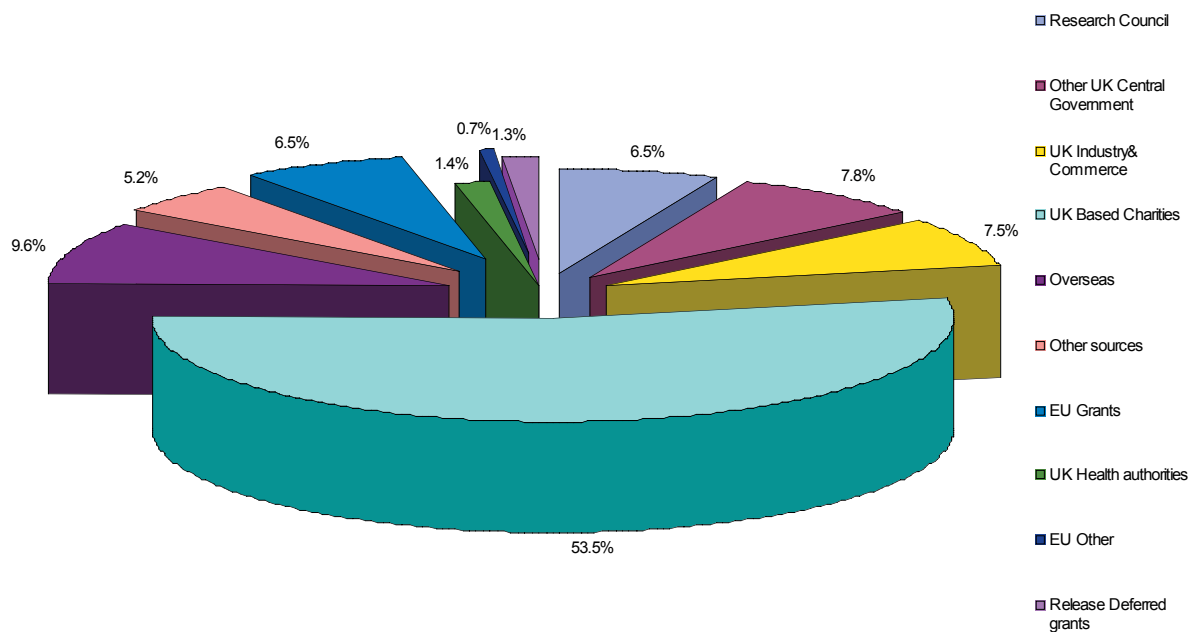
Research

SGUL's total research income for 2008 £18.8m compared to £18.5m for 2007.

Research Grants Income % By Source 2008



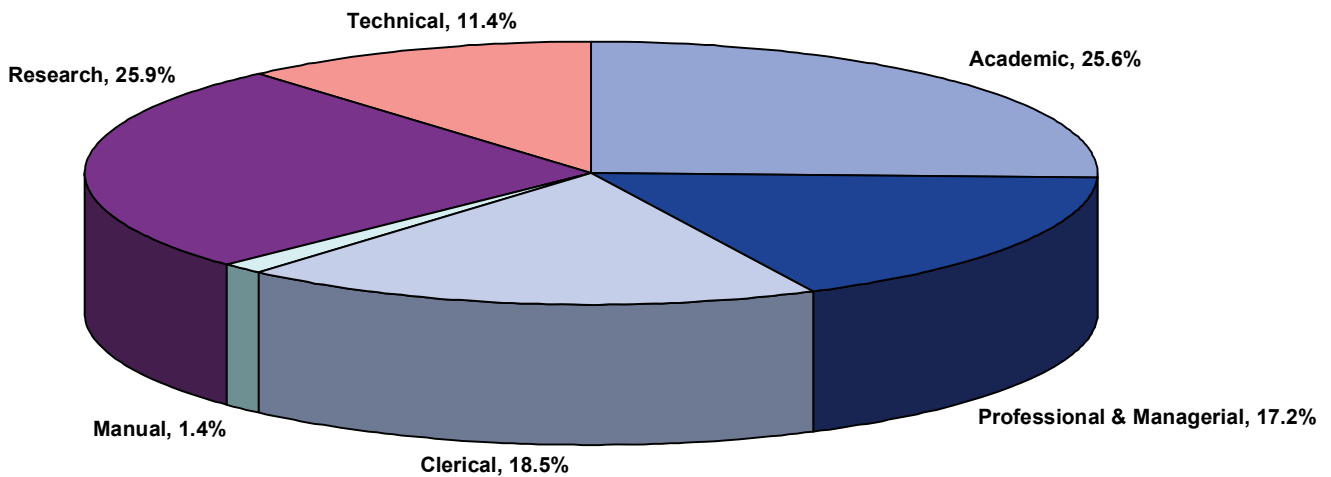
Research Grants Income % By Source 2007



Staff

SGUL employs 891 staff of which 52% are actively engaged in Research & Teaching.

Staffing Profile By Staffing Groups



SGUL is committed to creating a positive working and learning environment where all staff are treated with dignity and respect and everyone is encouraged to perform to their maximum potential. SGUL has developed equality schemes and action plans in the areas of gender and disability and has reviewed its Race Equality Policy. An Equality and Diversity Adviser has been appointed to lead on equality initiatives across all of SGUL's activities, including employment and teaching and learning. All policies are now subject to a full impact analysis prior to issue.

SGUL communicates with staff, as well as students, through a range of channels including the intranet, regular staff forums held with the Principal and a regular newsletter. Staff and students are also represented on a broad range of committees including the governing body, Council.

In 2007/08 SGUL conducted an assessment of the effectiveness of its people management policies and practices using the Staff-Assessment Tool for People Management in Higher Education Institutions (SAT). This was also informed by a Staff Survey carried out in October 2007. Many of the SAT and Survey findings were positive with high proportion of staff expressing views that SGUL is a good place to work (84%) and that motivation and levels of satisfaction are generally high (80%). Issues relating to managerial capacity and support provided to staff by SGUL were in line with HEI sector benchmarks.

REVIEW OF THE LAST YEAR

SGUL has a distinctive place in the UK Higher Education sector and is well known for its innovative research and teaching. Some of the developments and achievements over the year are as follows:

In September 2007, SGUL opened the Student Centre which provides students with a 'one-stop-shop' of services. Students can now do everything from handing in their coursework and paying their fees to finding a local dentist in one place. Over the year the services have been expanded to include drop-in sessions for counselling and bookings for careers advice.

In the same month, SGUL launched a full-time laboratory-based Masters in Biomedical Sciences and in September 2008, the first cohort of 18 students started on an innovative new programme, the Postgraduate Diploma in Physician Assistant Studies. This course addresses changing NHS workforce needs. A number of other new courses, (MSc in Maternity and Child Health and MSc Physician Assistant Studies, a distance learning MSc in Addictive Behaviours) are planned, together with joint courses under SGUL's SWan partnership with Royal Holloway, University of London and Kingston University in areas of biotechnology, genetics, translational research and neuroscience.

SGUL has been particularly successful in a number of league tables over the year. In November 2007 the Guardian published a league table ranking SGUL second in the UK for the most cited research papers in peer-reviewed journals. This demonstrates the impact of SGULs research.

SGUL has also featured regularly in the Times Higher Education Supplement tables, first in June 2008, when figures showed that the value-added per employee to the organisation was the second best in the UK, and in September 2008, when it again was ranked in the top 10% of HEIs in the UK for student satisfaction in the National Student Survey. These results came in addition to previous findings that St George's has the lowest drop-out rate into the second year of study in the UK (1.2%), with Oxford University coming second, and one of the highest employment rates (99%).

In January 2008, Her Royal Highness, the Princess Royal, Chancellor of the University of London officially opened Horton Halls – SGUL's new 332-bed halls of residence, which is a short walk from the main site. Princess Anne returned in September to unveil a sundial marking the tenth anniversary of SGUL's Vaccine Institute.

SGUL is renowned for its role in Widening Participation and is the only HE Institution in the country to have an Adjusted Criteria Policy – offering places on the medicine course to applicants with lower A-level grades than the standard offer. In February this year, SGUL's research showed that students accepted under the Adjusted Criteria Policy scored as well as all other students in their final-year exams. Since 2002, the programme has accounted for approximately 5% of St George's medical students.

In April of this year Professor Peter Kopelman took up his appointment as Principal of SGUL, replacing Professor Michael Farthing who left in September 2007. Professor Kopelman has strong ties to SGUL, having qualified as a doctor here, in addition to having spent his early training years at St George's Hospital. His previous appointments over the past decade have included Vice Principal and Deputy Warden of the Medical and Dental School at Queen Mary, University of London, and Professor of Clinical Medicine at Barts and The London, NHS Hospital Trust. He joined SGUL from the University of East Anglia, where he was Dean of the Faculty of Health. Professor Sean Hilton, who was Acting Principal during the

intervening period, was appointed Deputy Principal.

RISK AND UNCERTAINTY

SGUL has a Risk Management group which is responsible for management of strategic level risk management of SGUL. This group captures and monitors the main risks facing SGUL which are reported on a regular basis to Audit Committee and Council. The main risk areas are:

- Implementation of the recommendations of the 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 SGUL
- Timely management information
- RAE grading
- Merger

SCOPE OF FINANCIAL STATEMENTS

The Financial Statements comprise the consolidated results of St George's, University of London (SGUL) and its subsidiaries, only one of which, St George's Estates Limited, has traded in the financial year, and The Eleanor Peel Chair of Geriatric Medicine Fund. The Financial Statements also include SGUL's share of the results, assets and liabilities of a joint arrangement with Kingston University to provide education for nursing, midwifery and paramedic services and other Allied Health Professions under contracts with NHS London and for social work.

The format of the Financial Statements follows the Statement of Recommended Practice (2007): Accounting for Further and Higher Education.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

Financial summary for the year compared to prior year:

	2008	2007	
	£'m	£'m	% Change
Income	85.6	74.7	14.6%
Expenditure	81.8	72.2	13.3%
Surplus for the year	3.8	2.5	52.0%
Reserves	18.0	14.3	25.9%

The net result was a surplus of £3.8m for the year, compared to a surplus of £2.5m for the corresponding period last year. The surplus expressed as a percentage of turnover exceeds SGUL's target of 3% for the year. This has now been the fifth consecutive year SGUL has a surplus and gives an accumulated income and expenditure reserve of £18m at 31 July 2008.

Total income increased by £10.9m (14.6%) to £85.6m for the year.

- Funding Council Grants increased by £5.9m (23%) to £31.6m. The recurrent grant increased by £3m with the Teaching grant now at £18.5m and Research grant at £7.5m, with the balance representing release of deferred capital grants & other HEFCE allocations.
- Academic Fees & Support Grants increased by £2.5m (20.2%) to £14.7m. This includes a 44% increase in full(home & EU) time fees to £3.8m, a 13% increase in overseas fees to £2.7m and fees for courses run in the Joint Faculty of Health and Social Care Sciences an increase of 15% to £7.6m.
- Research Grants and Contracts increased marginally by £0.3m (1.5%) to £18.8m with a contribution to overhead of £1.3m.
- Other Operating Income increased by £1.4m (7.9%) to £19.3m. The increase includes a £0.5m increase in fees from Halls of Residence, £0.7m from increased Services Rendered activity with the NHS and £0.2 from other income generating.
- Endowment Income & Interest Receivable increased by £0.8m (199%) to £1.3m.

Total expenditure increased by £9.6m (13.3%) to £81.8m, compared to £72.2m last year.

- Staff costs increased by £2.4m (5%) to £49.8m, with a marginal increase in average numbers of staff by 18 to 891.
- Non staff costs increased by £5.7m (26.3%) to £27.1m.
The above inflation increase includes significant expenditure on SGUL's long term maintenance and investment in a number of strategic developments.

In June 2008 a five year forecast was undertaken. Although this indicated SGUL would generate surpluses each year, SGUL is mindful that changes to the funding landscape could materially affect its position. Increased costs for pay and pensions have been factored in, and will have a particularly challenging influence on SGUL's financial position in future years.

SGUL's investments, both endowment and general funds, are managed by an external fund manager on a pooled fund. The Investment Committee, a sub-group of Finance Committee, receives regular reports on the valuation and performance of the funds and meets the manager of the pooled fund twice a year. Performance is measured against specific benchmarks. The economic downturn will have some effect on St George's, it is hoped will be short term.

The cash flow statement shows net cash inflow of £2.3m from operating activities for the year. However, investment in tangible fixed assets of £9.3m was offset by grants of £5.0m, financing of £5.3m and investment income of £1.2m meant that SGUL's cash balance closed £4.5m higher than at the start of the year. The level of cash and short-term deposits at £23.0m represents 109 days of recurrent expenditure (2007:105 days).

SGUL's cash position is monitored on a daily basis and surplus funds are deposited with Royal London Cash Management.

SGUL's aim is to negotiate best terms of business with our suppliers and to make payment within the agreed credit terms.

SGUL's key financial ratios are good compared to the sector values:

	2007/08	2006/07
Profitability (% surplus)	4.3%	3.3%
Liquidity (current assets/ liabilities)	1.24	1.06
Financial Strength (% long term liabilities to total income)	19.0%	14.8%
Gearing	3%	2%

SGUL participates in three pension schemes for its employees – the Universities Superannuation Scheme (USS), the Superannuation Arrangements of University of London (SAUL), and 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. Actuarial valuations have been undertaken during 2008 for the USS and SAUL schemes and the results will be published later in the year.

FUTURE DEVELOPMENTS

In 2007/8 SGUL spent £9.3m on additions to estate and equipment. SGUL has ambitious plans to further develop its estate, which includes the following:

- Refurbish (14,000sq m) laboratory space in Jenner wing to provide a state-of-the-art multipurpose modern facility that is able to support research of the highest standard.
- Build a new block (6,000sq m) supporting teaching and non laboratory research which will support a number of SWan initiatives.
- Extend the halls of residence at the Grove site by providing an additional 150 bed spaces.

SGUL is actively addressing the need to promote its role in addressing environmental issues and has undertaken a detailed environmental audit and will implement recommendations made during the forthcoming year.

In September 2007, Council initiated a Strategic Options Review with a view to a potential merger with another higher education institute. SGUL has now returned a surplus in each of the last five year-ends, and has benefited from a growth in student numbers, the introduction of variable fees, HEFCE's Charity Support Fund and full economic costs. However, as a relatively small institution, SGUL needs to ensure it has the critical mass and has the capacity to exploit opportunities against a background of challenges facing the sector. SGUL has outperformed the sector average in terms of growth in recent years, it is likely that further growth at similar rates will become more challenging to achieve in the uncertain economic climate

and increasingly competitive markets for both research funding and for high quality students. Factors that were taken into account by SGUL in seeking a partner included:

- quality of environment
- economic sustainability
- academic excellence
- effective governance
- demands of stakeholders
- practicalities

Council decided at its meeting on 30 September 2008 that, SGUL should commence detailed discussions and due diligence with Royal Holloway University of London with a view to merger by August 2010. This is an exciting opportunity for two Colleges of the University of London to combine to create a multi-faculty institution drawing on their competitive excellence in biomedicine, science, social sciences, arts and humanities, offering a wealth of research and teaching opportunities for students and staff. The new institution will aim to:

- Focus on creating excellence and reputation in key research areas with high impact
- Encompass high quality teaching and training and related research activity for the range of health professionals
- Further develop close relationships with primary care, mental health and ambulance trusts, as well as acute trusts
- Maintain the relationship with Kingston University, with which SGUL runs the Faculty of Health and Social Care Sciences

In addition to this, SGUL is exploring the establishment of an Academic Health Sciences Network (AHSN), a close collaborative network delivering excellence in service delivery, education and research. This initiative involves SGUL, St George's Healthcare NHS Trust, St George's Mental Health Trust and Wandsworth PCT and is a crucial element for the longer term vision for SGUL in South West London.

CORPORATE GOVERNANCE STATEMENT

St George's is committed to good practice in all aspects of Corporate Governance.

We have been working towards compliance with the provisions of the Combined Code on Corporate Governance (July 2003) insofar as they relate to us. We also comply with the Guide for Members of Governing Bodies of Universities and Colleges in the UK: Governance Code of Practice and General Principles (November 2004), issued by the Committee of University Chairmen.

The composition of our Council is set out on page 2. Council is responsible for the overall direction and management 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 our 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.

The Council meets four times a year and has several Committees, namely a Finance Committee, a Nominations Committee, a Remuneration Committee, a Staff Strategy and Policy Committee, an Investment Committee and an Audit Committee. In 2005-06 Council established an Estates Project Board to monitor the implementation of the major capital projects associated with the Estates Strategy. 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 Staff Strategy and Policy 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, the Vice-Principals, and Deans.

The Finance Committee recommends to Council the annual revenue and capital budgets and monitors performance in relation to approved budgets. An Investments Sub-group monitors the performance of our investments.

The Staff Strategy and Policy Committee considers proposals for all issues relating to the employment of staff and makes recommendations to the Council.

The other Committees of Council (Nominations, 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 our 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 the Higher Education Council for England (HEFCE) together with recommendations for the improvement of our systems of internal control, values for money studies and management's response and implementation plans. It also monitors adherence to the regulatory requirements. Senior Executives attend meetings of the Audit Committee as necessary but are not members of the Committee and 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 we are responsible, in accordance with the responsibilities assigned to Council in the Scheme and the Financial Memorandum with the 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 our significant risks throughout the year to 31 July 2008 and up to the date of the approval of the annual report and accounts.

During the year we have maintained the Risk Management Policy throughout the organisation by:

- Reviewing our 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 Committee (quarterly) to develop policies and embed risk management processes into the organisation.
- Convening an Estates Project Board to monitor major projects and to ensure that these projects have relevant risk registers which are regularly reviewed throughout the duration of the project.
- Producing a risk register and reports of the Risk Management Committee for review by Council.
- 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.
- Commissioning Internal Audits from Mazars. The audit planning is carried out jointly with senior executives and is now based on our risk register.

We receive reports from the Chair of the Audit Committee concerning internal control, the outcome of all audits of our activities, including the reports from internal and external auditors and other agencies, and we require regular reports from senior executives on progress of key projects.

In this way Council is assured that this is a sound system of internal control and that risk is considered as part of the normal management process.

After making appropriate enquiries, Council considers that we have adequate resources to continue in operational existence for the foreseeable future. For this reason we continue to adopt the going concern basis in preparing the Financial Statements.

Baroness Murphy
Chair of Council

Statement of Council's Responsibilities

The Council is responsible for the overall direction and management of SGUL and is required to prepare audited Financial Statements for each financial year.

The Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position and enable us to ensure that the Financial Statements are prepared in accordance with the Scheme, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with HEFCE, 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 SGUL and of the surplus or deficit and cash flows for that year.

The Council has to ensure that, in preparing the Financial Statements:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Financial Statements are prepared on the going concern basis since the Council is satisfied that it has adequate resources to continue in operation for the foreseeable future.

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

The Council, through the Principal and the Finance Committee, has taken reasonable steps to ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the 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 the Council appears to the Principal to be incompatible with the terms of the Financial Memorandum.

The 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 SGUL and to prevent and detect fraud; and
- secure the economical, efficient management of the Institution'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;
- a professional firm appointed as Internal Auditors, whose annual programme is approved by the Audit Committee and endorsed by the Council. The Internal Auditors provide SGUL with a report on internal audits undertaken within SGUL 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.

Report of the Independent Auditors, KPMG LLP

Independent auditors' report to the Council of 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 2008 which comprise Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group 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.

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

Respective Responsibilities of the University Council and Auditors

The University Council's responsibilities for preparing the Operating and Financial Review and 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, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 17.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council

for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University'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:

- the Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the University's affairs as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- 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 University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Date: 25 November 2008

KPMG LLP
Chartered Accountants
Registered Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Statement of Principal 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 2007 and applicable United Kingdom Accounting Standards.

2 Basis of Consolidation

SGUL and Kingston University have a joint arrangement (referred to as the Faculty of Health and Social Care Sciences) to provide education for nursing, midwifery and other Allied Health Professions under contracts with several NHS Strategic Health Authorities and for Social Work. Under the terms of the Joint Agreement, assets and liabilities are divided equally, and 50% of the value of the appropriate assets and liabilities have been included in the relevant Balance Sheet figures. The arrangement has been accounted for as a Joint 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 consolidated Financial Statements include the Financial Statements of SGUL including its share of the Joint Arrangement, its subsidiary undertakings, St George's Estates Limited, St George's Enterprises Limited and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31 July 2008.

3 Recognition of Income

Recurrent grants from HEFCE are recognized in the period in which they are 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 restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet. 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.

Income from tuition fees is recognized in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

4 Maintenance of Premises

Expenditure on maintenance is included as a charge to the income and expenditure account in the year in which it occurs.

5 Pension Arrangements (see also Note 25 to the accounts)

Pension costs are assessed in accordance with the advice of professionally qualified independent actuaries.

The principal schemes of SGUL are Universities Superannuation Scheme (USS) and Superannuation Arrangements of SGUL of London (SAUL). Through the Joint Faculty of Health and Social Care Sciences, a joint activity with Kingston University, SGUL also participates indirectly with the Royal Borough of Kingston upon Thames Pension Fund through its jointly funded 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 SGUL. SGUL is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits' accounts for the Schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

SGUL 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. SGUL 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 not outstanding financial obligations for land and buildings held under finance leases.

Building in the course of construction are accounted for at cost, based on the value of architects certificates and other direct costs incurred 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

*or over the term of the grant.

(C) Leases

Rental costs under operating leases 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, licenses, 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 asset 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

SGUL is an exempt charity within the meaning of the Charities Act 1993 and Section 506 (1) of the Taxes Act 1988. Accordingly, SGUL is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988, or Section 256 of the Taxation and Chargeable Gains Act 1992 to the extent that such income or gains are applied for exclusively charitable purposes.

SGUL receives no similar exemption in respect of Value Added Tax and so is able to recover some of its activities subject to VAT and this gives it an entitlement to recover a proportion of the Value Added Tax paid through its agreed partial exemption method.

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 institution 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 institution.
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
- 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 for 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 we have 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 & Expenditure account for the year ended 31 July 2008

	Note	Consolidated 2007/08 £'000	SGUL 2006/07 £'000
INCOME			
Funding Council Grants (HEFCE)	1	31,558	25,655
Academic Fees and Support Grants	2	14,662	12,196
Research Grants and Contracts	3	18,815	18,528
Other Operating Income	4	19,271	17,852
Endowment Income and Interest Receivable	5	1,262	422
Total Income		85,568	74,653
EXPENDITURE			
Staff Costs	6	49,793	47,434
Depreciation	9	4,877	3,287
Interest and other Finance costs		548	-
Other Operating Expenses	7	26,586	21,476
Total Expenditure		81,804	72,197
Surplus for the year		3,764	2,456
Transfer (from)/ to Accumulated Income Endowment funds		(46)	101
Surplus for the Year Retained Within General Reserves	8	3,718	2,557

All income and expenditure for the year relates to continuing activities.

Statement of total recognised gains & losses for the year ended 31 July 2008

	Note	2007/08	2006/07
		£'000	£'000
Surplus for the year	8	3,718	2,557
Appreciation of Fixed Asset Investments	9a	(88)	28
Appreciation of Endowment Asset Investments	10	(436)	360
TOTAL RECOGNISED GAINS SINCE LAST YEAR		3,194	2,945

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

	2007/08	2006/07
	£'000	£'000
Reconciliation		
Opening reserves and endowments	19,819	16,874
Total recognised gains and losses for the year	3,194	2,954
Closing reserves and endowments	23,013	19,819

Balance Sheet for the year ended 31 July 2008

	Note	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	9	60,894	60,894	56,446	56,446
Investments	9a	741	726	830	815
		61,635	61,620	57,276	57,261
Endowment Asset Investments	10	4,970	3,741	5,406	4,012
Current Assets					
Stocks and Stores in Hand		4	4	55	55
Debtors	11	18,124	18,124	19,006	19,006
Cash at Bank and in Hand		14,914	14,832	10,434	10,352
		33,042	32,960	29,495	29,413
Creditors: Amounts falling due within one year	12	(26,559)	(26,634)	(27,787)	(27,811)
Net Current Assets		6,483	6,326	1,708	1,602
Total Assets less current liabilities		73,088	71,687	64,390	62,875
Creditors: Amounts falling due after one year	12a	(16,230)	(16,230)	(11,060)	(11,060)
NET ASSETS		56,858	55,457	53,330	51,815
Represented by:					
Deferred Capital Grants	14	33,845	33,845	33,511	33,511
Endowments					
Permanent Restricted	15	2,176	947	2,362	968
Permanent Expendable	15	2,794	2,794	3,044	3,044
		4,970	3,741	5,406	4,012
Reserves					
Revaluation Reserve	16	71	71	159	159
General Reserve	16a	17,972	17,800	14,254	14,133
		18,043	17,871	14,413	14,292
TOTAL FUNDS		56,858	55,457	53,330	51,815

The financial statements on pages 21 to 39 were approved by the Council on 25 November 2008, and signed on its behalf by

PRINCIPAL: Professor Peter Kopelman

CHAIR OF COUNCIL: Baroness Elaine Murphy

TREASURER: Mr James Cochrane

Consolidated cash flow statement for the year ended 31 July 2008

	Note	2007/08	2006/07
		£'000	£'000
Net Cash Inflow from Operating Activities	18	2,208	7,864
Returns on Investments and Servicing of Finance	19	1,262	422
Capital Expenditure and Financial Investment	20	(4,147)	(14,129)
Cash (outflow) before Use of Liquid Resources and Financing		(677)	(5,843)
Management Of Liquid Resources		-	272
Financing	22	5,203	11,233
Increase in Cash		4,526	5,662

Reconciliation of net cash flow movement to net funds

	Note	2007/08	2006/07
		£'000	£'000
Increase in Cash in the Period		4,526	5,662
Change in Net Funds		4,526	5,662
Net Funds at 1 August 2007		11,169	5,507
Net Funds at 31 July 2008	21	15,695	11,169

Notes to the Accounts for the year ended 31 July 2008

1 Funding Council Grants (HEFCE)	2007/08	2006/07
	£'000	£'000
Recurrent Grant	26,279	23,268
Specific Grants		
Access to Learning Fund (Note 23)	124	102
Teaching Quality Enhancement Fund	125	125
Higher Education Innovation Fund	597	597
Deferred Capital Grants Released in Year		
Building (Note 14)	3,487	1,041
Equipment (Note 14)	946	522
	31,558	25,655
2 Academic Fees & Support Grants	2007/08	2006/07
	£'000	£'000
Full - time students charged home fees	3,798	2,634
Full - time students charged overseas fees	2,743	2,438
Part time fees	285	238
Non-medical Education & Training funded by NHS	7,625	6,636
Short Courses Fees	211	250
	14,662	12,196
3 Research Grants & Contracts	2007/08	2006/07
	£'000	£'000
Research Councils	1,178	1,197
Other UK Central Government bodies	2,083	1,450
UK industry and commerce	782	1,398
UK based charitable bodies	9,145	9,916
Overseas	3,136	1,776
Other sources	417	962
EU Grants	1,356	1,208
UK Health & Hospital Authorities	290	262
EU Other	227	122
Released from deferred grants (note 14)	201	237
	18,815	18,528
4 Other Operating Income	2007/08	2006/07
	£'000	£'000
Residences and conferences	1,261	747
Services rendered	14,640	13,897
Released from deferred capital grants (note 14)	163	295
Other income	3,207	2,913
	19,271	17,852
5 Endowment Income & Interest Receivable	2007/08	2006/07
	£'000	£'000
Transferred from Endowments Asset Investments (Note 15)	215	65
Other Investment Income (Note 19)	1,047	357
	1,262	422
6 Staff Costs	2007/08	2006/07
The average monthly number of persons employed by SGUL during the period expressed as full time equivalents was:	Number	Number
Teaching and research activities	457	474
Teaching Support Services	264	252
Other Income generating activities	11	2
Catering and residences	2	1
Administration and Central Services	103	96
Premises	23	18
Other	31	30
	891	873

Staff Costs for the above persons:

	2007/08	2006/07
	£'000	£'000
Wages and salaries	41,449	39,499
Social Security costs	3,586	3,525
Other pension costs	4,758	4,410
	49,793	47,434

	2007/08	2006/07
	£'000	£'000
Teaching and Research activities	30,104	30,100
Teaching Support Services	12,136	10,932
Other Income generating activities	527	200
Catering & residences	54	32
Administration & Central services	5,267	4,745
Premises	915	643
Other	790	782
	49,793	47,434

	2007/08	2006/07
The number of staff including the Principal, who received emoluments in the following ranges, excluding employers pension contributions was:	Number	Number
£100,001 - £110,000	13	13
£110,001 - £120,000	7	6
£120,001 - £130,000	6	5
£130,001 - £140,000	3	4
£140,001 - £150,000	5	6
£150,001 - £160,000	8	5
£160,001 - £170,000	6	4
£170,001 - £180,000	3	3
£180,001 - £190,000	1	4
£190,001 - £200,000	3	1
£200,001 - £210,000	-	1
£240,001 - £250,000	-	1
	55	53

Note: The remuneration of the Principal and the higher paid staff above includes distinction awards paid to clinical staff. Such awards are conferred and funded in their entirety by the NHS, are outside the control of SGUL and are not in respect of the management of SGUL.

Emoluments of the Principal

	Acting Principal Aug 07-Mar 08	Principal Apr 08-Jul 08	2007/08 £'000	2006/07 £'000
Salary	100	59	159	138
NHS Distinction Award (see above)	37	19	56	73
Pension Contributions	8	10	18	30
Total Emoluments	145	88	233	241

Notes to the Accounts - Continued

7 Other Operating Expenses	2007/08	2006/07
	£'000	£'000
Teaching activities	4,406	2,483
Research activities	6,383	5,864
Administration	1,583	1,051
Fellowships, Scholarships & Prizes	236	42
Premises costs	5,882	4,258
Services Rendered	2,163	1,577
General Education Expenditure	2,392	2,295
Internal Auditors Remuneration	49	37
External Auditors Remuneration in respect of Audit Services	85	103
External Auditors Remuneration in respect of Subsidiaries	5	5
External Auditors Remuneration in respect of Other Services	101	65
Residences & Conferences Operating expenses	478	1,029
Grants to Student Union	192	381
Other Expenses	2,332	2,067
Hire of other assets - operating leases on photocopiers	119	119
Staff development	180	100
	26,586	21,476

8 Surplus on Continuing Operations

8 Surplus on Continuing Operations	2007/08	2006/07
	£'000	£'000
The surplus on continuing operations for the period is made up as follows:		
Surplus for the year	3,676	2,515
Surplus generated by St George's Estates Ltd and transferred to St George's, University of London	42	42
	3,718	2,557

Notes to the Accounts - Continued

9 Tangible Assets SGUL & Consolidated	Freehold	Long Leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Valuation/Cost					
At 1st August 2007	1,150	52,119	14,189	14,585	82,043
Additions (Note 20)	3,330	4,161	1,214	620	9,325
Transfers	13,877	708	-	(14,585)	-
Disposals	-	(2,068)	(6,217)	-	(8,285)
At 31st July 2008	18,357	54,920	9,186	620	83,083
Depreciation					
At 1st August 2007	61	14,674	10,862	-	25,597
Charge for Year	250	3,017	1,610	-	4,877
Eliminated on disposal	-	(2,068)	(6,217)	-	(8,285)
At 31st July 2008	311	15,623	6,255	-	22,189
Net Book Value					
At 31st July 2008	18,046	39,297	2,931	620	60,894
At 31st July 2007	1,089	37,445	3,327	14,585	56,446

Included within the cost of freehold is £472k (2007: £281k) which represents interest charged on loans taken out to fund the cost of buildings and incurred before the buildings came into use.

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

	2007/08	2006/07
	£'000	£'000
Deferred grant released	3,582	2,125
General Income	1,295	1,162
	4,877	3,287

9a Investments

	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
At 1st August 2007	830	815	1,192	1,192
Additions at Cost (Note 20)	318	318	330	330
Disposals (Note 20)	(319)	(319)	(735)	(735)
Revaluation (unrealised)	(88)	(88)	43	28
At 31st July 2008	741	726	830	815
Represented by:				
Unit Trusts	741	726	830	815
Subsidiary Companies				
	Cost 2007/08	Cost 2006/07		
	£	£		
St George's Enterprises Limited (100% owned)	2	2		
St George's Estates Limited (100% owned)	2	2		
	4	4		

St George's Enterprises Ltd is a dormant company with net assets of £2.

St George's Estates Ltd. holds an underlease for a laboratory on SGUL site and collects rent from an undertenant passing the rent on to SGUL. Both of the subsidiaries are incorporated in Great Britain and registered in England and Wales.

Notes to the Accounts - Continued

10 Endowment Asset Investments	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
Balance at 1st August 2007	5,406	4,012	5,046	3,762
Additions (Note 20)	1,347	898	1,457	983
Profit on sales reinvested	-	-	261	175
Disposals (Note 20)	(1,393)	(944)	(1,507)	(1,015)
Movement in cash balances (Note 21)	46	46	35	35
Unrealised gain on Revaluations	(436)	(271)	114	72
Balance at 31st July 2008	4,970	3,741	5,406	4,012
Represented by:	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
Equities	4,189	2,960	4,671	3,277
Bank Balances	781	781	735	735
Endowment Asset Investments	4,970	3,741	5,406	4,012
11 Debtors	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
Research Grant balances	7,456	7,456	6,501	6,501
St. Georges Healthcare NHS Trust	1,807	1,807	2,508	2,508
Other debtors	8,085	7,852	9,169	8,887
Accrued Income	535	535	221	221
Prepayments	241	241	607	607
Amounts due from Subsidiary Undertakings	-	233	-	282
Total	18,124	18,124	19,006	19,006
12 Creditors: Amounts falling due within one year	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
Bank Loan	265	265	274	274
Research grants and contracts	12,719	12,719	15,766	15,766
Social Security and Other Taxation Payable	1,690	1,690	1,498	1,498
St George's Healthcare NHS Trust	668	668	2,721	2,721
Other Creditors	7,737	7,694	5,327	5,284
Accruals and Deferred Income	3,480	3,480	2,201	2,201
Amounts due from Subsidiary Undertakings	-	118	-	67
Total	26,559	26,634	27,787	27,811
12a Creditors: Amounts falling due after one year	Consolidated 2007/08	SGUL 2007/08	Consolidated 2006/07	SGUL 2006/07
	£'000	£'000	£'000	£'000
Bank Loan	16,171	16,171	10,959	10,959
Deferred income from lease assignment	59	-	101	-
Amounts due from Subsidiary Undertakings	-	59	-	101
Total	16,230	16,230	11,060	11,060
Additional disclosure required for bank loan	2007/08	2007/08	2006/07	2006/07
	£'000	£'000	£'000	£'000
The bank loan is payable as follows:				
In one year or less	265	265	132	132
Between one and two years	279	279	274	274
Between two and five years	928	928	885	885
In five years or more	14,964	14,964	9,942	9,942
Total	16,436	16,436	11,233	11,233

SGUL has fully drawn down a loan of £16.5m from Barclays Bank over 30 years to finance construction of a new hall of residence. The amount drawn at 31 July 2008 was £16,436k (2007: £11,233k) with £16,171k (2007: £11,101k) due beyond one year.

13 Provisions for Liabilities and Charge Consolidated & SGUL

	2007/08 £'000	2006/07 £'000
At 1st August 2007	-	122
Transfer other Debt provision to Debtors	-	(122)
At 31st July 2008	-	-

14 Deferred Capital Grants

	Funding Council £'000	Other Grants £'000	Total £'000
At 1st August 2007			
Building	27,270	4,730	32,000
Equipment	909	602	1,511
Total	28,179	5,332	33,511
Income			
Building	3,800	139	3,939
Equipment	1,192	-	1,192
Total	4,992	139	5,131
Release to Income and Expenditure			
Building (Note 1)	(2,272)	(115)	(2,387)
Equipment (Notes 1, 3 and 4)	(946)	(249)	(1,195)
Released Against Non Capitalised Estate Works	(1,215)	-	(1,215)
Total	(4,433)	(364)	(4,797)
At 31st July 2008			
Building	27,583	4,754	32,337
Equipment	1,155	353	1,508
Total	28,738	5,107	33,845

15 Endowments

Consolidated & SGUL	Consolidated		SGUL			Total £'000
	Permanent Restricted	Permanent Expendable	Total	Permanent Restricted	Permanent Expendable	
As restated at 1st August 2007	£'000	£'000	£'000	£'000	£'000	£'000
Capital Value	2,362	3,044	5,406	968	3,044	4,012
Accumulated Income	-	-	-	-	-	-
As 1st August 2007	2,362	3,044	5,406	968	3,044	4,012
New Endowments	-	3	3	-	3	3
(Depreciation) of SGUL Investments	(60)	(211)	(271)	(60)	(211)	(271)
(Depreciation) of Eleanor Peel Investments	(165)	-	(165)	-	-	-
Income for the year (Note 5)	93	122	215	42	122	164
Expenditure for the year	(54)	(164)	(218)	(3)	(164)	(167)
As 31st July 2008	2,176	2,794	4,970	947	2,794	3,741
Represented by:						
Capital Value	2,137	2,836	4,973	908	2,836	3,744
Accumulated Income	39	(42)	(3)	39	(42)	(3)
	2,176	2,794	4,970	947	2,794	3,741

Notes to the Accounts - Continued

	Note	2007/08 £'000	2006/07 £'000
16 Revaluation Reserve			
Movements on SGUL and the Consolidated revaluation reserve			
At 1st August 2007		159	131
Revaluation (unrealised)		(88)	28
At 31st July 2008		71	159
16a Movement on General Reserve			
At 1st August 2007	8	14,254	11,697
Surplus on continuing operations		3,718	2,557
At 31 July 2008		17,972	14,254
17 Capital Commitments			
Consolidated & SGUL			
Building commitments contracted at 31 July		1,586	2,954
18 Reconciliation of Consolidated Operating Surplus to net cash from operating activities			
Surplus		3,718	2,557
Depreciation	9	4,877	3,287
Deferred Capital Grants released to Income	14	(4,797)	(2,095)
Investment Income	5	(1,047)	(357)
Endowment Income	5	(215)	(65)
Decrease/(increase) in stocks		51	(7)
Decrease in Debtors	11	882	5,066
(Decrease) in Creditors	12 & 12a	(1,261)	(400)
(Decrease) in Provisions	13	-	(122)
Net Cash Inflow from Operating Activities		2,208	7,864
19 Return on Investment and Servicing of Finance			
Other Investment Income	5		
Investment Income		30	136
Interest on Cash Deposits		673	221
Foreign Currency Exchange Gain		344	-
		1,047	357
Income from Endowments	5	215	65
		1,262	422
20 Capital Expenditure and Financial Investment			
Tangible Assets Acquired	9	(9,325)	(16,110)
Fixed Asset Investments Acquired	9a	(318)	(330)
Endowment Asset Investments Acquired	10	(1,347)	(1,718)
Total Fixed and Endowment Asset Investments Acquired		(10,990)	(18,158)
Receipt from sale of Fixed Asset Investments	9a	319	735
Receipt from sale of Endowment Asset	10	1,393	1,507
Deferred Capital Grants received	14	5,131	1,787
		(4,147)	(14,129)

21 Analysis of changes in net funds
Consolidated & SGUL

	At 1 August 2007 £'000	Cash Flow 2007/8 £'000	At 31 July 2008 £'000
Cash at Bank and In Hand	10,434	4,480	14,914
Endowments (Note 10)	735	46	781
	11,169	4,526	15,695

22 Changes in financing during the year

	2007/08 £000	2006/07 £000
Consolidated & SGUL		
Debt Due within one year		
Bank Loan - (note 12a)	265	132
Debt due beyond one year		
Bank Loan - (note 12a)	4,938	11,101
Net cash inflow from financing	5,203	11,233

23 Access funds

	2007/08 £'000	2006/07 £'000
Grant from HEFCE	124	102
Interest received	-	-
Grants to students	(123)	(107)
Balance refundable to/(payable by) HEFCE	1	(5)

Notes to the Accounts - Continued

24 Related Party Transactions

SGUL enjoys a close relationship with St George's Healthcare NHS Trust and other health providers and purchaser organisations who actively support medical education and a number of these organisations are represented on the SGUL 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.

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 Executive Management Committee. Under the terms of the Joint Arrangement Agreement, the assets, liabilities, income and expenditure of the Faculty are divided equally between SGUL and Kingston University. Our share of the gross income from the contact is recorded under Academic Fees and support Grants in Note 2, and expenses are included under the appropriate expenditure heading.

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 SGUL undertakes business.

25 Pension Schemes

SGUL 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.

USS

USS is a defined benefits scheme, which is externally funded and contracted out of the State Second Pension (S2P) (formerly known as the State Earnings-Related Pension Scheme). The assets of the Scheme are held in a separate trustees administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2005 using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:-

	Past Service	Future Service
Investment returns per annum	4.5%	6.2%
Salary scale increases per annum	3.9%	3.9%
Pension increases per annum	2.9%	2.9%
Market value of assets at last actuarial valuation date	£21,740 million	
Proportion of members' accrued benefits covered by the actuarial value of assets	77.0 %	
Current employer's contribution rate	14.0 %	

Using the minimum Funding Requirement prescribed assumptions introduced by the Pension Act 1995, the Scheme was 126% funded at valuation date and under the Pension Protection Fund regulations introduced by The Pensions Act 1994 it was 110% funded.

The total pension cost for SGUL was £2,276,613 (2007: 2,171,247)

SAUL

The latest valuation was carried out as at 31 March 2005 using the projected unit credit method. The following assumptions were used to assess the past service funding position and future service liabilities:-

	Past Service	Future Service
Investment returns per annum		
pre retirement	5.5%	6.5%
post retirement	4.5%	4.5%
Salary growth*	4.15%	4.15%
Pension increases	2.65%	2.65%
Market value of assets at last actuarial Valuation date	£982 million	
Proportion of members' accrued benefits covered by the actuarial value of assets	93%	
Current employers contribution rate	10.5%	

* excluding an allowance for promotional increases.

The total pension cost for SGUL was £627,871.84 (2007: £587,868).

NHSS

The NHSS is funded centrally by the Treasury on a current cost basis. The pension cost charged to the income and expenditure account for the year was £1,285,867 (2007: £1,233,628). It is an unfunded, multi-employer scheme and as such, it is likely that it is not possible to identify SGUL'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 Institutions 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.

Royal Borough of Kingston upon Thames Pension fund

SGUL 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 SGUL's share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement Benefits' the scheme has been accounted for, in these Financial Statements as defined contribution scheme.

Notes to the Accounts - Continued

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 latest full actuarial valuation was carried out in 2007. The employer contribution rate is 13.5%.

26 Operating Leases

SGUL has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31 July 2008 was £119k (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 2007/08 £'000	Consolidated and SGUL 2006/07 £'000
Within 1 year	119	119
Between one and five years	198	317
After 5 years	-	-
	317	436

St George's, University of London
Cranmer Terrace, Tooting, London SW17 0RE
Tel: 020 8672 9944 • Fax: 020 8725 0841

www.sgul.ac.uk

