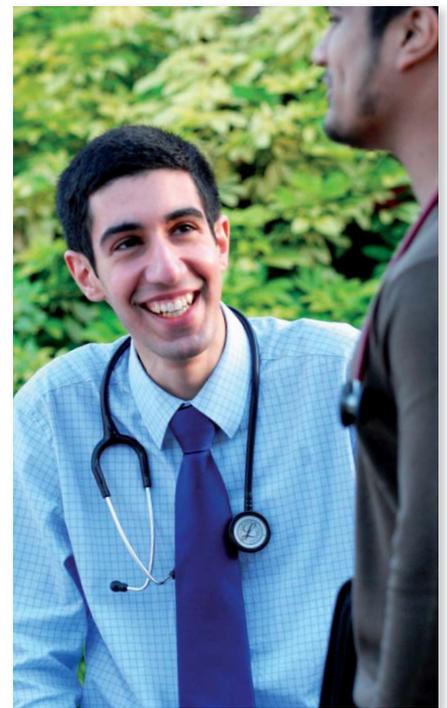


St George's, University of London
Financial Statements 2009/10



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Council Membership 2009/10

From 1st August 2009 to 31 July 2010 (up to and including 22 November 2010)

Anthony Bicknell	Appointed 1 January 2010
James Cochrane	
Mrs Naaz Coker	
Michael Draper	Appointed 1 January 2010
Ms Judith Evans	
David Greggains	End of Term of Office – 30 September 2010
Baroness Elaine Murphy	End of Term of Office – 30 September 2010
Ms Isabel Nisbet	
Professor Sir Peter Scott	
Professor Richard Smith	
Graham Turner	
Professor Peter Rigby	End of Term of Office – 30 September 2010
Michael Stevens	Appointed 1 January 2010
Mrs Susan Thomas	Appointed 1 October 2010
Professor Sir Nicholas Wright	Appointed 1 October 2010

EX-OFFICIO MEMBERS

Professor Nigel Brown	With effect from 1 October (Acting)
Professor Peter Kopelman	
Professor George Griffin	End of Term of Office – 30 September 2010
Professor Sean Hilton	
Professor Patricia Hughes	
Dr Andy Kent	With effect from 1 October 2010

ELECTED BY ACADEMIC STAFF

Professor John Axford	End of Term of Office – 30 September 2009
Professor Alan Johnstone	With effect from 1 October 2009

ELECTED BY SUPPORT STAFF

Mrs Jill Edwards	End of Term of Office – 30 September 2010
Mr Kenton Lewis	With effect from 1 October 2010

ELECTED BY THE STUDENTS

Jack Sugrue	End of Term of Office – 30 September 2010
David Rawaf	
Luke Turner	With effect from 1 October 2010

STAFF IN ATTENDANCE

Mrs Sophie Bowen	With effect from 1 October 2010
John Duffy	Resigned 31 October 2009
Ms Jeannette Strachan	With effect from 1 November 2009. Resigned 31 July 2010
Ms 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

Operating and Financial Review

NATURE OF THE ORGANISATION

In 1733 St George's Hospital was opened in Lanesborough House in Hyde Park and the Institution has been training medical students ever since. Formal registration of apprentice doctors began in 1751. The Medical School was established in 1834 in Kinnerton Street and was incorporated into the hospital in 1868. Due to expansion, and demographic changes, building began on the current site in Tooting in 1973 and the St George's Hospital Medical School opened in 1976.

St George's, University of London (SGUL) – the trading name of St George's Hospital Medical School - is today a specialist provider of medical and healthcare education. It is co-located with one of the UK's busiest hospitals, St George's NHS Healthcare Trust, whose clinical resources it also shares.

In 1995, the Faculty of Health and Social Care Sciences (FHSCS) was established with Kingston University. It offers nursing and midwifery education and, on the St George's site, degree and diploma courses for qualified nurses and midwives. In 2000, the Medical School introduced the MBBS Graduate Entry Programme (GEP), a four year fast-track medical degree course open to graduates in any discipline.

SGUL provides a wide range of high quality undergraduate and postgraduate healthcare, medical and biomedical education programmes. Its portfolio includes taught degrees in healthcare sciences (diagnostic or therapeutic radiography, and physiotherapy), biomedical informatics, biomedical sciences, pharmacy and a four and five-year MBBS in medicine. Paramedic sciences and social work courses are offered through the FHSCS.

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. SGUL is recognised globally for the quality of its research with a high reputation in areas such as HIV, infection and immunity, cardiology, stroke and neuroscience, genetics and premature and child health medicine.

OBJECTIVES AND STRATEGY

SGUL's mission is to advance, promote and share knowledge of health through excellence in teaching, clinical practice and research into the prevention and treatment of illness.

STRATEGIC AND ENABLING AIMS:

In line with its corporate vision and values, SGUL has identified three key strategic aims and associated objectives around which it focuses all activities:

- The growth of its excellent reputation for education and learning by providing its students with an

exceptional experience within an interdisciplinary environment.

- The pursuit and attainment of excellence in a focused scientific, clinical and educational research portfolio.
- The promotion of the sharing of knowledge, expertise and opportunities with its local, regional, national and international communities.

In support of the above, SGUL has identified three enabling aims:

- The build and sustainment of collaborative partnerships with universities, the NHS and other relevant organisations within and outside of London.
- The development and maintenance of organisational processes and infrastructure to support SGUL's existing endeavours and to enable the development of new, rewarding opportunities.
- To attract, retain and nurture the most talented staff.

CORPORATE VISION:

SGUL'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.

CORPORATE VALUES:

Distinctiveness

- Comprehensive portfolio of medical and healthcare education and training programmes within a collegial environment.
- A focused and applied research portfolio.
- An innovative and entrepreneurial ethos.
- Collaborative co-location with a large teaching hospital.
- At the centre of extensive local, national and international partnerships and collaborations.

Diversity

- Positioned at the heart, and reflecting the diversity, of the South West London community.
- Upholding an inter-disciplinary approach to research, education and learning.
- Recognised excellence in widening and fairer access to medical and healthcare professions.
- Attracting sustainable income across a breadth of activities.
- Offering the widest range of student opportunities.

Operating and Financial Review

Dedication

- Preparing SGUL students for, and furthering of, employment in a range of careers.
- Offering SGUL staff opportunities for career progression.
- Providing SGUL alumni with a lifelong and rewarding relationship.
- Sharing knowledge and understanding within the local community.
- Providing a high specification, sustainable, learning environment.
- Communicating effectively and openly with all SGUL stakeholders.
- Applying the highest quality standards to all its activities.

PUBLIC BENEFIT STATEMENT

SGUL is an exempt charity under the terms of the Charities Act 2006.

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

Aims and Objectives

The overall aim of SGUL is set out in its Scheme and Statutes, namely to advance learning and knowledge through teaching and research in medicine, nursing, midwifery, the allied health professions, biological sciences, the treatment of illness and in any other subject or area as SGUL should determine.

Educational Benefit

SGUL is an internationally recognised specialist medical Institution, part of the University of London, which provides an education to some 5,124 undergraduate and postgraduate students within an interdisciplinary environment. 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, SGUL provides:

- Excellent teaching and clinical facilities, in collaboration with its partners in the South West region, within a hospital environment at one of London's busiest hospitals, St George's NHS Healthcare Trust, Tooting.
- Social, cultural, musical, recreational and sporting

facilities to enable each student to realise as much as possible of their academic and personal potential while studying at SGUL.

SGUL advances research through:

- Providing researchers with outstanding research facilities, especially in the early stages of their healthcare careers. This research has direct benefits for 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 field experts from both the UK and overseas.
- Supporting and promoting the dissemination of research and healthcare advancements through lectures, seminars and the publication of papers in academic and professional journals or other suitable means.

SGUL maintains an extensive healthcare library and archive, which houses important specialist collections. It provides a valuable resource for students, researchers, academics and others by arrangement.

SGUL does not consider that there is any detriment or harm that arises from carrying out the Institution's aims and is not aware of any views among others that such harm or detriment may arise.

SGUL's primary beneficiaries are its students, researchers and academic staff, who are actively engaged in healthcare education, learning or research. Beneficiaries also include the external students, researchers and academics, who attend educational events at SGUL or have an opportunity to use its research and teaching facilities. The general public also directly benefits from SGUL's healthcare research and activities.

Extent of educational benefit

SGUL admits as students those who have the highest potential for benefiting from the healthcare education that the University and its collaborative partners provides.

- There are no ethnic, religious, geographic, socio-political and economic barriers in SGUL's objectives. Students, researchers and academics are drawn from the UK and overseas.
- The focus of SGUL is to maintain its excellent reputation in scientific, clinical and educational teaching and research and, to achieve this it seeks to attract, retain and nurture the most talented students and staff.
- The University aims to raise educational aspirations and attract outstanding applicants who might not necessarily consider a healthcare career or think of

Operating and Financial Review

applying to a medical Institution. SGUL operates an extensive outreach programme. This programme consists of educational school visits to and from SGUL, Open Days and admissions symposia for teachers.

Benefit and charges

SGUL's fees reflect the following:

- Student fees at externally regulated rates to undergraduates entitled to Student Support and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the government)
- A fee determined annually by SGUL to Overseas undergraduates and postgraduates and any Home/EU undergraduates and postgraduates not entitled to Student Support
- Accommodation and meal charges at reasonable rates.

SGUL offers a limited number of bursaries/awards each year to those students who achieve outstanding exam results and who are entitled to Student Support.

Accesses to Learning Funds (ALF) are provided by the Government to SGUL, and are administered by SGUL to provide selective help for students who are in financial difficulties.

In order to fulfil its charitable purposes of advancing education, learning and research, SGUL 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 for the university sector. External members of Council (governors) 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.

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Number of applications per place per academic year*					
	2005/6	2006/7	2007/8**	2008/9	2009/10
Medicine (5yr)	8	12	8	9	10
Foundation for Medicine	10	11	10	8	9
Medicine (4yr)	19	20	19	8	8
BSc Biomedical Sciences	13	12	7	7	8
BSc Physiotherapy	11	10	8	8	8
BSc Diagnostic Radiography	8	10	11	8	8
Foundation for Paramedic Sciences	-	-	-	11	7
BSc Therapeutic Radiography	6	7	7	4	4
BSc Biomedical Informatics	-	2	9	1	1

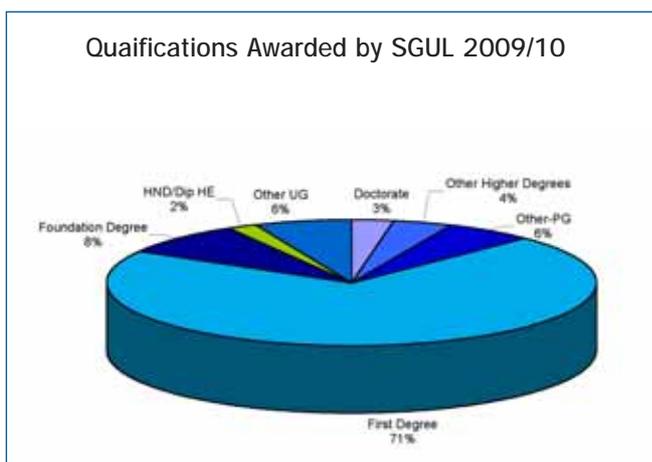
*Excludes Joint Faculty students registered at Kingston University
 ** Basis for calculating admission statistics changed

TEACHING AND LEARNING STATISTICS

SGUL remains a popular choice for students, as shown by the number of applicants per place for courses registered at the University. In 2009/10 there were 10/8 applicants per place on the Medicine (5yr)/(4yr) degree courses respectively; eight applicants per place on the BSc Biomedical Sciences, Physiotherapy and Diagnostic Radiography courses respectively and seven applicants per place on the Foundation for Paramedic Science course which started in 2008/09.

The total number of students at SGUL in 2009/10 was 5,124. This figure was split 52%/48% for part-time/full-time students respectively. More than three quarters of part-time students were taking Other Undergraduate (including CPD) programmes, 15% were studying for postgraduate research and taught degrees and 9% for foundation degrees. Of the full-time students, 93% were studying for their first degrees.

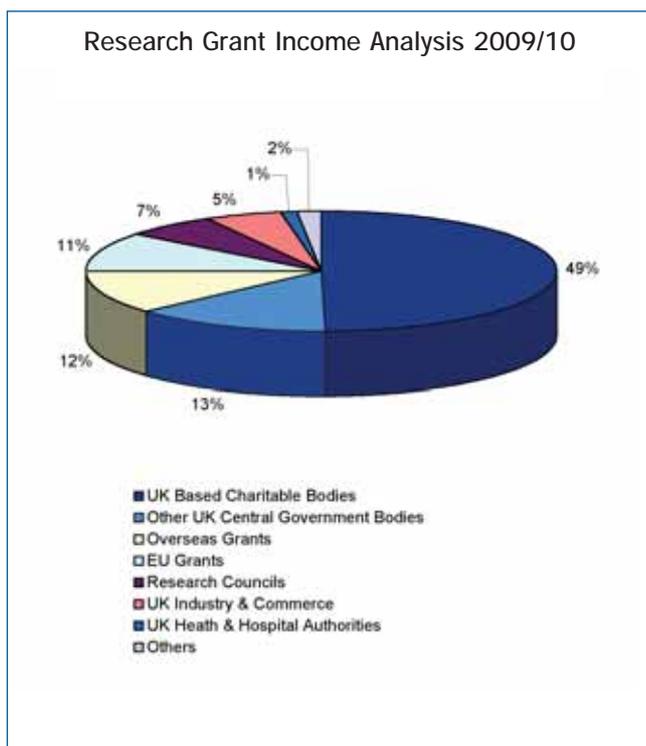
In 2009/10 800 students were awarded degrees, diplomas or certificates compared to 689 in 2008/09. Of these students 566 (71%) obtained first degrees; 66 (8%) obtained foundation degrees and 32 (6%) obtained other higher degrees.



RESEARCH

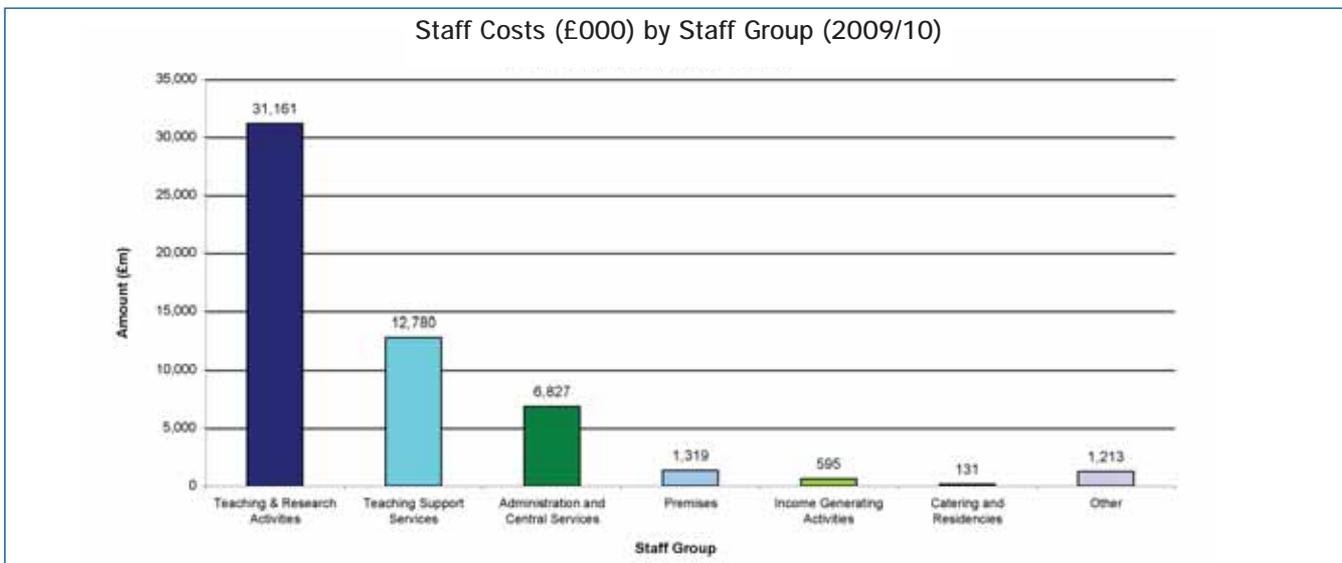
SGUL is recognised globally for the quality of its biomedical and clinical research. It has a high reputation in areas such as infection, diseases of the heart and circulation, cell-signalling, and epidemiology. Its close partnership with St George's Healthcare NHS Trust, as well as the diverse population of South West London, presents opportunities for translational research of the highest national and international standards.

Total income generated by research in 2009/10 fell by - 2.4% to £19.72m. The majority of SGUL's research £9.81m (49%) is funded by UK based charitable bodies, with UK Central Government Bodies contributing £2.6m (13%), Overseas Grants £2.3m (12%), EU Grants £2.08m (11%) and Research Council Grants £1.28m (7%).



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STAFF



SGUL is committed to creating a positive working and learning environment where staff are treated with dignity and respect. SGUL confirms its commitment to a comprehensive policy of equal opportunities in employment in which individuals are selected and treated on the basis of their relevant merits and abilities. Equality schemes relating to gender and disability have been developed and an Equality and Diversity Adviser is employed to assist in monitoring these initiatives.

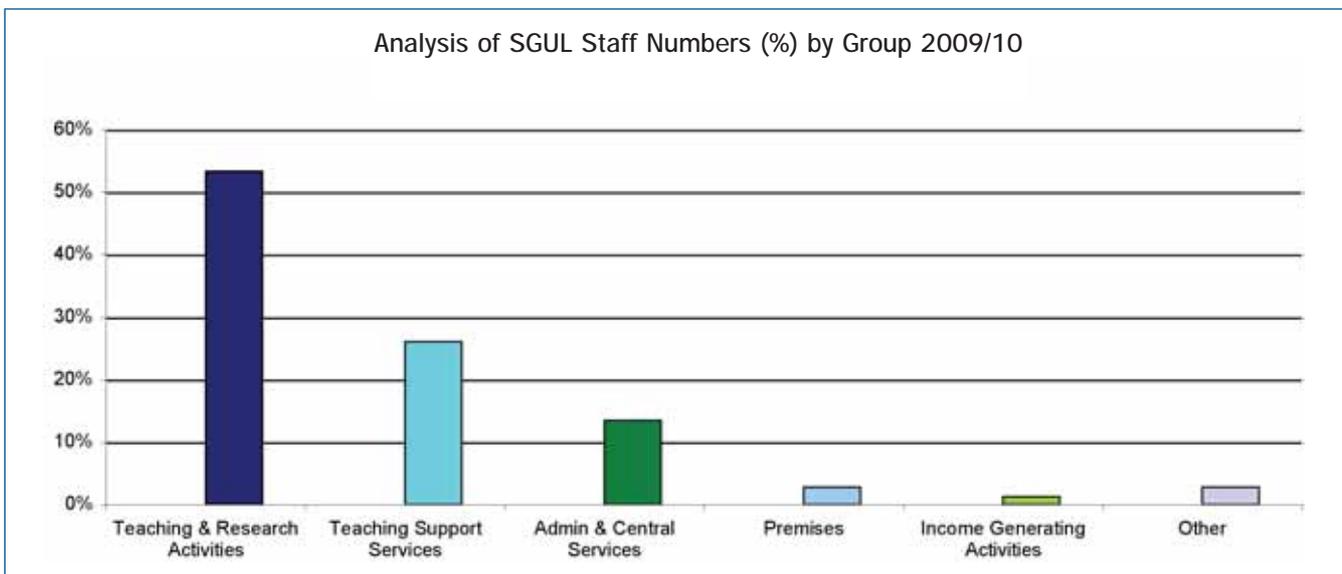
Staff retention is important and SGUL operates flexible working hours, including part-time or reduced hours of work and even opportunities to work from home for many posts. These are among the extra benefits offered by the University which have resulted in good staff retention.

SGUL continues to communicate with staff through a variety of media, including the portal and a quarterly

magazine, which is distributed to both staff and students. In addition, the Principal holds regular Open Forums which are open to all staff. Staff and students are also represented on a broad range of committees including SGUL's governing body, Council.

The University had 899 employees in 2009/10, a drop of 39 employees on the previous academic year. Of this figure, 79.3% were employed in Teaching, Research Activities and Teaching Support Services (2008/09: 78%) and 13.5% were employed in Administration and Central Services, compared to 12.2% in 2008/2009.

Teaching and Research Activities accounted for £31.1m (53%) of SGUL's total salary costs, which amounted to £54m in 2009/2010. Salaries on support staff amounted to £12.8m, equivalent to 23.7% of total salary costs.



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REVIEW OF 2009/2010

The planned merger between SGUL/Royal Holloway, University of London, was called off in a joint statement by the two colleges' Principals on 25 September 2009. SGUL will continue to work in the health and social care field with Royal Holloway and through its well-established Joint Faculty of Health & Social Care Sciences (FHSCS) with Kingston University. All three Universities collaborate together to form the existing SWan (SouthWest London Academic Network).

During 2009 SGUL launched its Future St George's Project, aimed at creating a sustainable strategic direction for SGUL in the context of an uncertain national financial environment and at creating a reorganised Institution capable of making effective cost gains and savings. This included:

- The reorganisation of the Faculty of Medicine and Biomedical Sciences into three divisions: Basic Medical Sciences (BMS), Clinical Sciences and Population Health Care and Education and:
- The realignment of its research aims around six research centres: Basic Medical Sciences, Cardiovascular Sciences, Human Genetics, Infection and Immunity, Clinical Neurosciences and Population Health.

Progress was made on a Business Continuity Plan (an emergency disaster was simulated in June 2010) and development of an Institution-wide resource allocation model (RAM).

In addition, 2009/10 saw wide-ranging information services developments to the existing Finance, Research and Student Information System and implementation of a research system to support the Research Excellence Framework (REF).

Phase 1 of the new financial system, covering finance and procurement processes, launched September 2010. It included targeted benefits in the areas of management information, streamlined accounting processes via a better-structured representation of the University and the flexibility to make changes within a logical and consistent financial framework. Phase 2 is planned to go live in December 2010/January 2011 and will include enhancements to research grant management, improved research costing and e-marketplace capability.

SCOPE OF THE 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

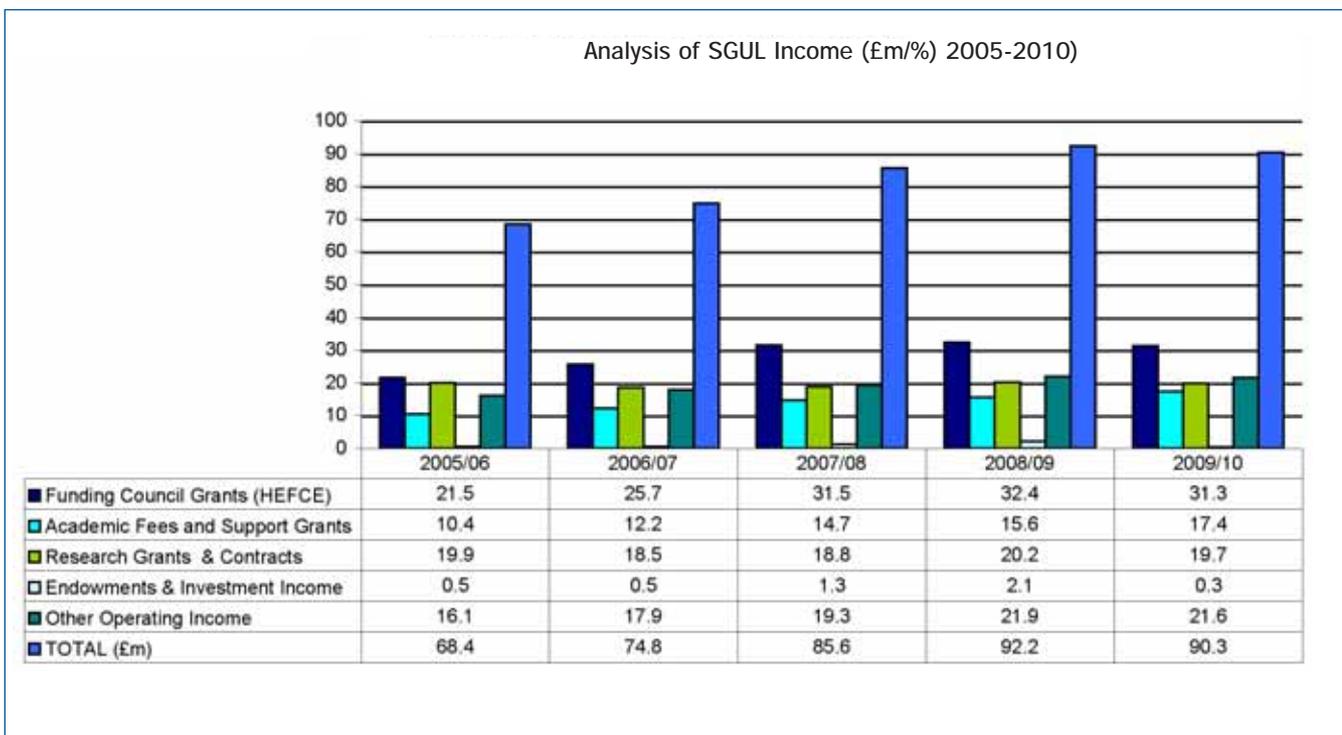
In 2009/10 total income decreased by 2.1% to £90.3m, while total expenditure remained relatively constant at £90.2m (2008/09: £90.3m). The net result was a surplus of £0.03m for the year (2009/10), compared with a surplus of £1.9m for 2008/09.

This is the seventh consecutive year that SGUL has had a surplus and this gives an accumulated income and expenditure reserve of £20m as at 31 July 2010 (2008/09: £19.9m). The main reason for the drop in surplus is the decrease in Interest Receivable and gains on foreign currency exchange which fell by 88.2% in 2009/10 to £0.3m.

Overview of SGUL Income & Expenditure 2008-2010		
	2008/09 £m	2009/10 £m
Income	92.23	90.28
Expenditure	90.34	90.25
Surplus for the year	1.89	0.03
Endowment transfer	0.07	0.03
Surplus to general reserves	1.96	0.06
General reserves	19.94	20.00

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INCOME



- In 2009/10 Funding Council Grants decreased by £1.1m (-3.3%) to £31.3m. The Recurrent Grant decreased by £1.2m (-4.2%) to £27.5m. In the current year, the Teaching Grant is £20.1m and the Research Grant is £6.8m, with the balance representing a release of deferred capital grants & other HEFCE allocations.
- Academic Fees & Support Grants increased by £1.7m (10.9%) to £17.4m in 2009/10. This includes a 14.6% increase in full-time (Home & EU) fee income to £5.3m; but full-time overseas fee income has marginally decreased by £0.1m (-2.7%) to £2.7m (2008/09: £2.8m). Fee income for courses run by the Joint Faculty of Health and Social Care Sciences increased by 12.5% to £8.8m.
- Research Grants and Contracts decreased by £0.5m (2.4%) to £19.7m. There was no release of deferred grants in the year (2008/09: £0.8m).
- Endowment Income and Interest Receivable reduced by £1.8m (85.8%) to £0.3m. It should, however, be noted that 2008/09 included a £1.2m foreign exchange gain on the sale of US dollars. In addition, the market value of shares sharply declined from 2007 to 2010, thus reducing the amount of endowment income and interest received by the University.

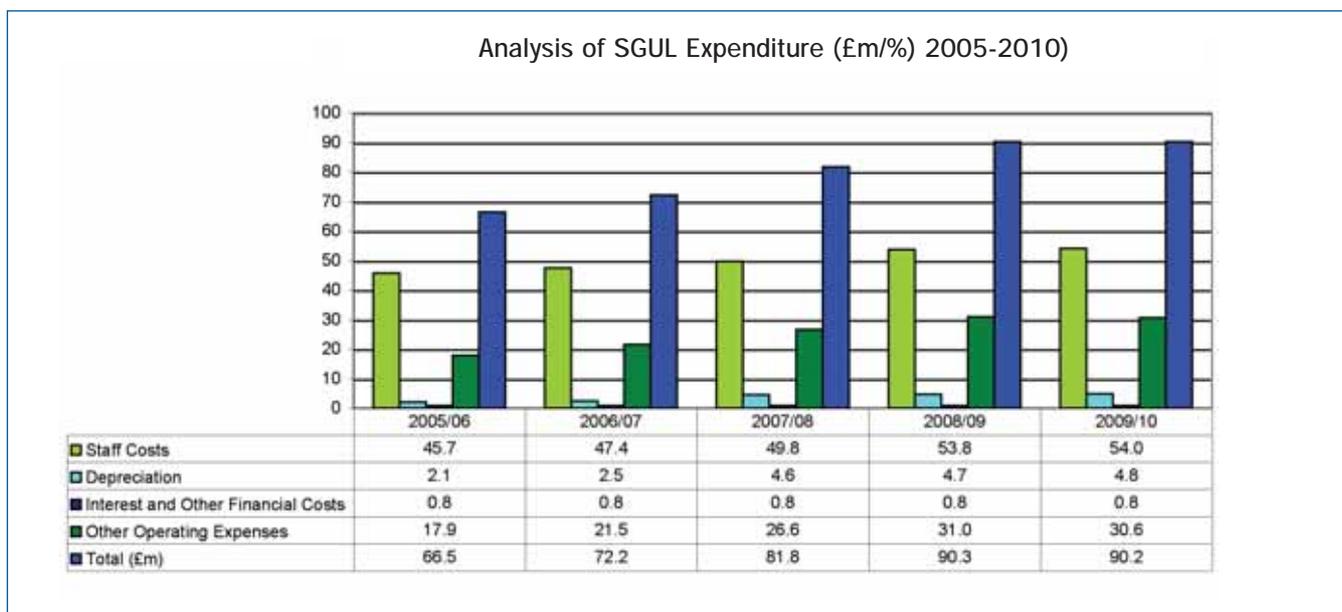
SGUL's investments, both endowments and general funds, are managed by an external fund manager in a pooled fund. The Investment Committee, a sub-group of the Finance Committee, receives regular reports on the valuation and performance of the funds and meets the manager of the pooled fund twice a year. Performance is measured against specific benchmarks. The economic downturn has effected SGUL's investment returns, which it is hoped will have a short term impact only.

CASH

The cash flow statement shows net cash inflow of £2.3m from operating activities for the year. Investment in tangible fixed assets of £9.4m was offset by grants of £3.5m. However, investment income of £0.1m compared with £2.0m in 2008/09; interest paid on the bank loan of £0.8m and capital repayments of £0.3m meant that SGUL's cash balance closed £4.4m lower than last year. The level of cash and short-term deposits at £10.6m (2008/09: £15.0m) represents 43 days (2008/09: 60 days) of recurrent expenditure.

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EXPENDITURE

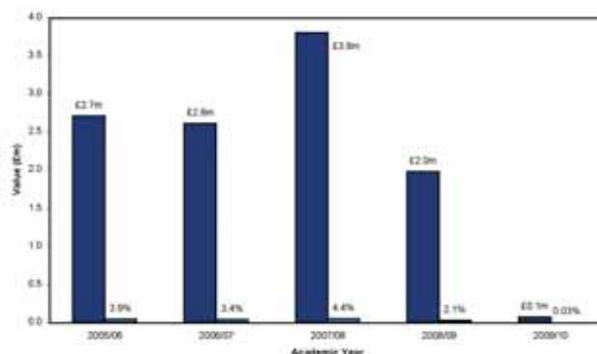


For the past two years total expenditure has remained fairly constant at £90.2m. This has been achieved via cost improvements and savings through efficiency and better use of University resources.

- Staff costs increased by £0.2m to £54.0m. This resulted from a reduction in staff numbers by 39 to 899 and a pay rise of 0.05% for non-clinical staff in August 2009.
- Non-staff costs (excluding depreciation and interest) decreased by £0.4m to £30.6m (2008/09: £31.0m).

The June 2010 revised five year expenditure forecast indicated that, while SGUL would generate surpluses each year, changes to the funding landscape would materially affect its position. The UK Government Comprehensive Spending Review, outlined in October 2010, combined with the recommendations of the Browne Report, has since confirmed that University funding will be cut. SGUL is mindful of the need to achieve cost improvements and savings through efficiency and better use of its resources. 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 Surplus (£m) as % of Turnover 2005-2010



PERFORMANCE INDICATORS

SGUL has consistently generated a surplus. In 2009/10 a £0.1 m surplus was recorded, equivalent to 0.03% of turnover.

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RISKS AND UNCERTAINTIES

A Risk Management group is responsible for the management of risk at strategic level. The main risks facing SGUL 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 2009/10 were:

- 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 (full Economic Costing) on research
- Meeting maintenance requirements
- Supply of IT systems to support SGUL
- Timely management of information
- Risks associated with the key income stream, such as RAE, student recruitment
- Budgetary control and the ability to control costs, particularly in light of the general economic downturn.

TREASURY MANAGEMENT POLICY

Cashflow projections are prepared one year in advance, with outline projections for the following four years. The cashflow projections for the year are monitored against original projections and are reviewed monthly on a rolling basis.

Cash balances are monitored on a daily basis and any surplus funds are invested for varying periods with specialised cash managers. The key objectives are to ensure that SGUL has adequate funds to meet day-to-day operational requirements and that SGUL's cash balances are safeguarded through effective management and control of funds, while maximising returns from short term investments, within the constraints set by risk policies relating to Treasury Management.

FUTURE DEVELOPMENTS

SGUL Strategy (2010-2015) outlines a number of developments for the coming financial year, some of which require an immediate change in focus of existing activities and some of which require financial investment. The University is keen to focus its efforts on realising its strategic plan, which in itself has built-in enablers to implementation and measures of success.

Within the timeframe of the next financial year, SGUL plans to pursue initiatives within a number of areas.

Education

The Institution is currently developing a detailed strategy around undergraduate and postgraduate education, addressing the financial sustainability of its course portfolio, the quality and efficiency of its delivery of education and opportunities for developing new courses. SGUL will agree an action plan for the following four years to maximise potential in the light of changing funding positions and other constraints.

The quality of student experience is a firm priority and SGUL will seek to influence and improve the educational experience provided by both the University and its NHS partners. With immediate effect, the Institution is developing new measures to maintain and increase SGUL's leadership in medical education and to drive up standards to enable it to manage the challenges that will arise from the changes in Medical Service Increment for Teaching (SIFT) and HEFCE funding. SGUL will continue to monitor closely the possible funding changes of its NHS-commissioned courses and is currently considering possible measures to address these.

In addition to the education strategy, the University will continue to work on the development of a new infrastructure and processes to increase its income from international students and international educational partners.

Research

The University's recent re-focus of research activities into six key research centres has brought key changes to the way in which the Institution will support research activities and pursue research income. SGUL has a strong determination to support only the highest-rated research activities and over the next 12 months it will develop detailed research business plans to increase output at the next REF assessment. The University envisages that this planning activity will highlight the need for further focus and investment in key areas and in the context of increasing economic pressures, this will be achieved through disinvestment in less strategic research areas. With a view to increasing its reputation and ability to attract inward investment, SGUL intends to support additional PhD studentships, in part conjunction with its international strategy, and to consider how best to support and maximise the potential of its external collaborations. The investment that the Institution has made in the Current Research Information System will be used to identify possible collaborations and to promote research capabilities.

Sharing knowledge, expertise and opportunity

In addition to the work carried out through direct efforts in education and research, SGUL has four further established channels to share knowledge, expertise and opportunities:

Operating and Financial Review

- The award-winning Taste of Medicine, Widening-Participation and Graduate-Entry Medicine programmes
- Centre for Enterprise and Consultancy
- A Transnational Programme, which delivers SGUL's educational programmes internationally and has already achieved success in Ireland, Brunei, Australia and Portugal
- The South West London Academic Health and Social-Care Network (SW London AHSN), of which SGUL is a founder member. This pioneering membership network, encompassing health, social care and higher education, works with the third sector and industry to provide research-informed health and social care services to people living in South West London. It was formally launched in 2009 and has just successfully celebrated its first birthday.

One of the successes of the AHSN has been the linkage with its counterparts in South East London to form the South East Health Innovation Education Cluster (SEHIEC). Backed by £1.9m from the Department of Health (DoH), the SEHIEC's focus is on sharing innovations in:

- Diabetic care
- Infection prevention and cure
- Dementia services
- Stroke.

SGUL is planning immediate investment to invigorate and strengthen its activities in each of the areas listed below and will underpin them with immediate investment in a corporate communication and marketing function such that the Institution can maximise the impact of its advances in research and education locally and internationally over the next five years. Specifically SGUL intends to:

- Transfer the skills and expertise SGUL has developed around Widening Participation to other community engagement activities
- Invest further in the project work of the SW London AHSN, in line with SGUL's research strategy
- Further develop consultancy services as a key part of SGUL's business, supported by a centralised framework.

Collaborative partnerships

SGUL is currently reviewing each of its collaborations to ensure full and effective governance and financial management of existing partners, and potential cost savings and other benefits with new partners to help it meet its overall strategic objectives. The University's

partnerships span the provision of education, research and professional services.

Specific initiatives over the next 12 months include:

- Reviewing the governance and financial agreement with Kingston University
- Establishing management structures across the University and St George's NHS Healthcare Trust to support integrated education training and research
- Using existing international partnerships and creating novel partnerships to support targeted international student recruitment.

Organisational processes and infrastructure

The Future St George's programme, launched in 2009, is a programme of activities aimed at reorganising the Institution to make effective gains and savings. It involves key changes to organisational structures, processes and infrastructure including:

- Reorganisation of the Faculty of Medicine and Biomedical Sciences into three divisions
- Realignment of SGUL's research aims around six research centres
- Revised senior academic and administrative management structures
- Development of a Business Continuity Plan
- Development of an Institution-wide resource allocation model
- Wide ranging information service developments, including upgraded Finance, Research and Student Information Systems
- Refurbishment of the Jenner wing to support rational divisional co-location for research centres.

These achievements provide the foundation for SGUL's planned initiatives for the coming year:

- Seek opportunities for shared services with partner organisations to achieve improved quality and cost benefits
- Manage and develop SGUL's Information Services portfolio so that it remains fit-for-purpose and meets the needs of the Institution at optimal cost-benefit
- Continue to develop and rollout the Finance and Research and Information Service (FRIS) and processes to enable optimal financial management of the Institution
- Optimise divisional and central administrative functions to provide improved support to core business activities under structured Service Level Agreements where appropriate

Operating and Financial Review

- Rationalise the use of storage, including freezers, and establish adequate governance, cataloguing and archiving processes
- Develop and manage commercial opportunities presented by the Institution's estate
- Continue refurbishment of key areas to optimise the working environment, space efficiency and flexibility
- Rationalise the use of space in non-refurbished areas across the campus.

Staff development

The next 12 months will bring considerable challenges to the University's staff. SGUL's strategic plan sets out bold and ambitious objectives which must be implemented against a background of economic uncertainty. This will make the coming months and years a challenging time for the University and, therefore, SGUL intends to invest in a series of initiatives (outlined below) aimed at improving internal communication and collaboration, performance management and workload distribution, ultimately to protect morale and productivity of the staff. It aims to:

- Establish robust processes around performance management
- Implement and support a Workload Distribution Model to establish transparency, equity, efficiency and reduced workplace stress
- Develop robust processes for succession planning, to mitigate against staff departures and address ongoing business continuity
- Promote, celebrate and reward success.
- Review the current staff development provision to nurture leadership skills so that SGUL reinforces its distinctiveness and management skills, as well as remaining competitive
- Expand and promote the coaching and mentoring programme within the talent management framework to support the development of academic divisions and equality and diversity issues
- Follow the Concordat principles for early career researchers
- Develop a stronger collaborative staff culture underpinned by improved communication and support.

Salary Saving Scheme

As part of the Future St George's programme, and in response to the developing financial position across the Higher Education sector, it was announced in the letter to all staff from the Principal dated 9 July 2010, that SGUL should achieve an overall reduction in expenditure of 15% over the next three years.

The objective of the Salary Saving Scheme is to support a reduction in expenditure on staffing and to create headroom for selective expansion in support of SGUL's strategic objectives. The key considerations of the Scheme are:

- Research quality and fit (research publications, research students and grant expenditure)
- Existing and continuing contributions to SGUL's teaching programmes
- Management and organisational contribution which underpins academic excellence within SGUL and enhances SGUL's reputation externally.

The decision to launch this Scheme has not been taken lightly. Any decision to reduce staff numbers or to alter the workforce profile carries the risk of impacting on SGUL's ability to maintain excellence. Unfortunately, SGUL cannot escape the impact of the funding changes which have been announced and the further cuts which are anticipated. The more decisively SGUL responds the greater will be its control as it moves into uncertain times ahead.

Savings in salary costs are to be achieved through a range of means including:

- Requests for reductions in hours of work
- Requests for retirement and part-time re-engagement (for staff aged 60 or over as at 31 March 2011)
- Voluntary Severance/early retirement – see separate Voluntary Severance/ Early Retirement Scheme document.

Corporate Governance Statement

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

We comply with the provisions of the Combined Code on Corporate Governance (June 2008), where applicable. 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 (March 2009), issued by the Committee of University Chairmen. This includes adherence to 'The Seven Principles of Public Life' (the Nolan Principles). We also have due regard for the Charity Commission's guidance on public benefit. In particular in delivering the objects of St George's, we meet the charitable purposes of the advancement of education and the advancement of health or saving of lives amongst others.

The composition of our 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 our Chief Executive, the Principal. The matters specifically reserved for 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 has several Committees, namely 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 these Committees are formally constituted with terms of reference. Council and its Committees are currently chaired by co-opted lay members except for the Human Resources Committee, which is chaired by the Dean of Staff and Student Affairs.

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 and Heads of Academic Divisions.

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 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 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 HEFCE, together with recommendations for the improvement of our 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 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 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 principle 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 successfully continued to identify, evaluate and manage our significant risks throughout the year to 31 July 2010 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 (quarterly) meetings of the Risk Management Committee to develop policies and embed risk management processes into the organisation

Corporate Governance Statement

- 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
- Producing a risk register and reports of the Risk Management 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
- Commissioning Internal Audits from accountancy firm Mazars. The audit planning is carried out jointly with senior executives and is based primarily 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.

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 (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 the University and of the surplus or deficit and cash flows for that financial year.

Council has to ensure 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, 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 the University has adequate resources to continue in operation for the foreseeable future.

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

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 Council appears to the Principal to be incompatible with the terms of the Financial Memorandum.

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 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:

- 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 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 auditors' report to the Council of St George's, University of London

We have audited the University financial statements (the "financial statements") of St George's, University of London for the year ended 31 July 2010. These 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 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 Auditors

The responsibilities of the University Council 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 dated June 2008. We also report to you whether in our opinion the Operating and Financial Review is inconsistent 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 other information contained in the Annual Report 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 2010 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 2010 have been applied for the purposes for which they were received; and
- In all material respects, income during the year ended 31 July 2010 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 dated June 2008.

Chris Wilson
For and on behalf of KPMG LLP, Statutory Auditor

Dated:

KPMG LLP
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 Institutions 2007 and applicable United Kingdom Accounting Standards.

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

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 has 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 31st July 2010. During 2009/10 RHSG Ltd, a company co-founded by SGUL and Royal Holloway, University of London was dissolved. SGUL did not have a controlling interest in RHSG Ltd; and, therefore was not required to integrate the accounts of RHSG into the consolidated Financial Statements. SGUL's share of the costs incurred and invoiced by RHSG are included in note 7 to the accounts under the heading of Development of Merger Proposal. SGUL had no investments, shareholdings or loans with RHSG, as RHSG is a company limited by guarantee.

3 Recognition of Income

Income from Funding Council recurrent grants, tuition fees and education contracts is 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 24 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 principal schemes of SGUL 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, SGUL 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 SGUL. 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.

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.

Statement of Principal Accounting Policies

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 no outstanding financial obligations for land and buildings held under finance leases.

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

*(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 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

The University is considered to pass the tests set out in Paragraph 1 Schedule 6, Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially 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, 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 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

Statement of Principal Accounting Policies

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 & Expenditure account for the year ended 31st July 2010

	Note	Consolidated 2009/10 £'000	Consolidated 2008/09 £'000
INCOME			
Funding Council Grants (HEFCE)	1	31,317	32,375
Academic Fees and Support Grants	2	17,357	15,657
Research Grants and Contracts	3	19,716	20,209
Other Operating Income	4	21,588	21,860
Endowment Income and Interest Receivable	5	303	2,133
Total Income		<u>90,281</u>	<u>92,234</u>
EXPENDITURE			
Staff Costs	6	54,026	53,784
Depreciation	9	4,843	4,710
Interest and Other Finance Costs		816	831
Other Operating Expenses	7	<u>30,567</u>	<u>31,013</u>
Total Expenditure		<u>90,252</u>	<u>90,338</u>
Surplus for the year		29	1,896
Transfer to/(from) accumulated income in Endowment Funds		36	69
Surplus for the Year retained within General reserve	8	<u>65</u>	<u>1,965</u>

All income and expenditure for the year relates to continuing activities

Statement of total recognised gains and losses for the year ended 31st July 2010

	Note	Consolidated 2009/10 £'000	Consolidated 2008/09 £'000
Surplus for the year	8	65	1,965
New endowments	14	-	8
Increase/(Reduction) in value of Fixed Asset Investments	9a	69	(103)
Increase/(Reduction) in value of Endowment Asset Investments	10	360	(524)
TOTAL RECOGNISED GAINS SINCE LAST YEAR		494	1,346

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

	Consolidated 2009/10 £'000	Consolidated 2008/09 £'000
Reconciliation		
Opening reserves and endowments	24,359	23,013
Total recognised gains and losses for the year	494	1,346
Closing reserves and endowments	24,853	24,359

Balance Sheet for the year ended 31st July 2010

	Note	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	9	66,987	66,987	62,476	62,476
Investments	9a	707	692	638	623
		67,694	67,679	63,114	63,099
Endowment Asset Investments	10	4,782	3,612	4,422	3,328
Current Assets					
Stocks and Stores in Hand		4	4	7	7
Debtors	11	23,040	23,040	19,929	19,929
Cash at Bank and in Hand		10,591	10,508	14,962	14,879
		33,635	33,552	34,898	34,815
Creditors: Amounts falling due within one year	12	(30,884)	(31,040)	(27,995)	(28,109)
Net Current Assets		2,751	2,512	6,903	6,706
Total Assets less current liabilities		75,227	73,803	74,439	73,133
Creditors: Amounts falling due after more than one year	12a	(15,599)	(15,599)	(15,909)	(15,909)
NET ASSETS		59,628	58,204	58,530	57,224
Represented by:					
Deferred Capital grants	13	34,780	34,780	34,171	34,171
Endowments					
Permanent Restricted	14	2,118	949	1,968	874
Permanent expendable	14	2,664	2,663	2,454	2,454
		4,782	3,612	4,422	3,328
Revaluation Reserve		64	64	0	0
General Reserve		20,002	19,748	19,937	19,725
TOTAL FUNDS		59,628	58,204	58,530	57,224

The financial statements on pages 22 to 40 were approved by the council on 23 November 2010 and signed on its behalf by:

PRINCIPAL: Professor Peter Kopleman

CHAIR OF COUNCIL: Ms Judith Evans

Consolidated cash flow statement for the year ended 31st July 2010

	Note	2009/10	2008/09
		£'000	£'000
Net cash inflow from operating activities	17	2,311	2,102
Returns on investments and servicing of finance	18	(513)	1,302
Capital expenditure and Financial investment	19	(5,860)	(3,151)
Cash (Outflow)/Inflow before Use of Liquid Resources and Financing		(4,062)	253
Financing	21	(310)	(265)
Decrease in Cash		(4,372)	(12)

Reconciliation of net cash flow movement to change in net debt

	Note	2009/10	2008/09
		£'000	£'000
(Decrease)/increase in cash at bank and in hand		(4,372)	48
Increase/(Decrease) in Endowment cash	10	9	(60)
Net cash movement		(4,363)	(12)
Decrease/(increase) in loan		310	265
Change in net debt		(4,053)	253
Net debt at 1 August 2009		(488)	(741)
Net debt at 31 July 2010	20	(4,541)	(488)

Notes to the Accounts

For the year ended 31 July 2010

1 Funding Council Grants (HEFCE)

	Note	Consolidated 2009/10	Consolidated 2008/09
		£'000	£'000
Recurrent Grants		27,446	28,656
Specific Grants			
Teaching Quality Enhancement Fund		-	125
Higher Education Innovation Fund		1,097	884
Deferred Grants released in the year			
Buildings	13	2,500	2,202
Equipment	13	274	508
		31,317	32,375

2 Academic Fees & Support Grants

	2009/10	2008/09
	£'000	£'000
Full-time students charged home fees	5,327	4,650
Full-time students charged overseas fees	2,724	2,800
Part-time fees	222	223
Non-medical Education & Training funded by NHS	8,807	7,828
Short Course Fees	277	156
	17,357	15,657

3 Research Grants & Contracts

	2009/10	2008/09
	£'000	£'000
Research Councils	1,284	1,297
Other UK Central Government bodies	2,647	1,925
UK Industry and Commerce	1,027	1,212
UK Based Charitable bodies	9,810	9,571
Overseas	2,301	2,832
Other Sources	193	1,040
EU Grants	2,088	1,636
UK Health & Hospital Authorities	234	390
EU Other	132	225
Released from deferred grants (Note 13)	-	81
	19,716	20,209

Notes to the Accounts - continued

4 Other Operating Income

	Note	Consolidated 2009/10 £'000	Consolidated 2008/09 £'000
Residences and conferences		1,334	1,353
Services rendered		15,189	16,141
Released from deferred capital grants	13	111	92
Other Income		4,954	4,274
		<u>21,588</u>	<u>21,860</u>

5 Endowments Income & Interest Receivable

		2009/10 £'000	2008/09 £'000
Income from Asset Endowment investments	14	160	163
		160	163
Other Investment Income	18	143	1,970
		<u>303</u>	<u>2,133</u>

6 Staff Costs

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

	2009/10 Number	2008/09 Number
Teaching and Research Activities	479	462
Teaching Support Services	234	277
Income Generating Activities	11	11
Catering and Residencies	4	2
Administration and Central Services	121	115
Premises	25	31
Other	25	40
	<u>899</u>	<u>938</u>

Notes to the Accounts - continued

Staff Costs for the above persons:

	2009/10	2008/09
	£'000	£'000
Wages and salaries	44,879	44,949
Social Security costs	3,791	3,788
Other Pension costs	5,356	5,047
	<u>54,026</u>	<u>53,784</u>
	2009/10	2008/09
	£'000	£'000
Teaching and Research Activities	31,161	30,725
Teaching Support Activities	12,780	13,577
Income Generating Activities	595	549
Catering and residences	131	86
Administration and Central Services	6,827	6,087
Premises	1,319	1,481
Other	1,213	1,279
	<u>54,026</u>	<u>53,784</u>

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

	2009/10	2008/09
£100,001-£110,000	9	5
£110,001-£120,000	6	8
£120,001-£130,000	8	5
£130,001-£140,000	7	5
£140,001-£150,000	2	1
£150,001-£160,000	4	7
£160,001-£170,000	6	7
£170,001-£180,000	2	4
£180,001-£190,000	4	4
£190,001-£200,000	2	-
£201,000-£210,000	1	1
£210,001-£220,000	2	-
£220,001-£230,000	-	1
£230,001-£240,000	1	1
£240,001-£250,000	-	-
£250,001-£260,000	-	1
	<u>54</u>	<u>50</u>

Notes to the Accounts - Continued

Staff Costs - continued:

The remuneration of the Principal and the higher paid staff, which includes distinction awards paid to clinical staff 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

	2009/10	2008/09
	£'000	£'000
Salary	179	168
NHS Award	58	58
Pension contributions	37	32
Total emoluments	274	258

During the year two employees whose annual emoluments exceeded £50,000, received a total of £131,221 (2009: £Nil) in respect of compensation for loss of office

7 Other Operating Expenses

	2009/10	2008/09
	£'000	£'000
Teaching activities	5,041	5,161
Research activities	7,352	7,239
Administration	1,882	1,584
Fellowships, Scholarships & Prizes	118	195
Premises Costs	5,449	5,541
Services rendered	3,040	2,230
General Education Expenditure	3,554	4,278
Internal Auditors Remuneration	64	65
External Auditors Remuneration in respect of Audit Services	61	60
External Auditors Remuneration in respect of Other Services	23	64
Residences & Conferences Operating expenses	546	746
Development of Merger Proposal	38	395
Grants to Student Union	229	228
Other expenses	2,766	2,988
Hire of other assets - operating leases on photocopiers	269	119
Staff development	135	120
Total	30,567	31,013

8 Surplus on Continuing Operations

	2009/10	2008/09
	£'000	£'000
Surplus for the Year	23	1,923
Surplus generated by St George's Estates Ltd and transferred to St George's, University of London	42	42
Total	65	1,965

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 2009	19,815	56,440	9,932	2,666	88,853
Additions (Note 19)	293	6,807	801	1,453	9,354
Transfers	(515)	2,937	244	(2,666)	-
Disposals	-	-	-	-	-
at 31 July 2010	19,593	66,184	10,997	1,453	98,207
Depreciation					
at 1st August 2009	727	17,940	7,710	-	26,377
Charge for the year	383	3,370	1,090	-	4,843
Transfer	-	-	-	-	-
Eliminated on Disposal	-	-	-	-	-
at 31 July 2010	1,110	21,310	8,800	-	31,220
Net Book Value					
at 31 July 2010	18,483	44,874	2,177	1,453	66,987
at 31 July 2009	19,088	38,500	2,222	2,666	62,476

The cost of land within freehold is £1.15m

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

	2009/10	2008/09
	£'000	£'000
Deferred grant released	2,885	2,883
General Income	1,958	1,827
	4,843	4,710

Notes to the Accounts - Continued

9a Investments

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
At 1st August 2009	638	623	741	726
Additions at cost (Note 19)	-	-	-	-
Disposals (Note 20)	-	-	-	-
Revaluation (unrealised)	69	69	(103)	(103)
At 31 July 2010	707	692	638	623
Represented by: Unit Trusts	707	692	638	623
	Cost	Cost		
Subsidiary Companies	2009/10	2008/09		
	£'000	£'000		
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. Both of the subsidiaries are incorporated in the UK and are registered in England and Wales.

10 Endowment Asset Investments

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
Balance at 1st August 2009	4,422	3,328	4,970	3,741
Additions (Note 19)	-	-	-	-
Disposals (Note 19)	-	-	-	-
Movement in cash balances (note 20)	9	9	(24)	(60)
Unrealised gain on Revaluations	351	275	(524)	(353)
At 31 July 2010	4,782	3,612	4,422	3,328
Represented by:	Consolidated	SGUL	Consolidated	SGUL
	2009/10	2009/10	2008/09	2008/09
	£000	£000	£000	£000
Equities	4,020	2,850	3,701	2,607
Bank Balances	762	762	721	721
Endowment Asset Investments	4,782	3,612	4,422	3,328

Notes to the Accounts - Continued

11 Debtors

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
Research Grant balances	10,146	10,146	10,110	10,110
St George's Healthcare NHS Trust	1,919	1,919	1,416	1,416
Other Debtors	9,548	9,548	6,514	6,514
Accrued Income	925	925	1,503	1,503
Prepayments	502	502	386	386
	23,040	23,040	19,929	19,929

12 Creditors: Amounts falling due within one year

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
Bank Loan	293	293	279	279
Research Grants and Contracts	16,137	16,137	15,618	15,618
Social Security & Other Taxation Payable	48	48	1,677	1,677
St George's Healthcare NHS Trust	1,698	1,698	1,024	1,024
Other Creditors	10,178	10,178	6,927	6,885
Accruals and Deferred Income	2,530	2,530	2,470	2,470
Amounts due to Subsidiary Undertakings	-	156	-	156
	30,884	31,040	27,995	28,109

12a Creditors: Amounts falling due after more than one year

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
Bank Loan	15,599	15,599	15,892	15,892
Deferred income from lease assignment	-	-	17	-
Amounts due from Subsidiary Undertakings	-	-	-	17
	15,599	15,599	15,909	15,909

	Consolidated 2009/10	SGUL 2009/10	Consolidated 2008/09	SGUL 2008/09
	£'000	£'000	£'000	£'000
The bank loan is payable as follows:				
In one year or less	293	293	279	279
Between one and two years	308	308	293	293
Between two and five years	1,022	1,022	972	972
In five years or more	14,269	14,269	14,627	14,627
	15,892	15,892	16,171	16,171

SGUL has fully drawn down a loan of £16.5m from Barclays Bank PLC, repayable over 30 years to finance construction of a new hall of residence. The amount outstanding at 31 July 2010 was £15,892k (2009: £16,171k), with £15,599k (2009: 15,892k) due beyond one year. The loan is unsecured at 5% fixed rate interest.

Notes to the Accounts - Continued

13 Deferred Capital Grants

	Funding Council £'000	Other Grant £'000	Total £'000
Consolidated & SGUL			
At 1st August 2009			
Building	28,590	4,662	33,252
Equipment	647	272	919
Total	<u>29,237</u>	<u>4,934</u>	<u>34,171</u>
Cash received:			
Building	3,360	134	3,494
Equipment	-	-	-
Total	<u>3,360</u>	<u>134</u>	<u>3,494</u>
Released to Income & Expenditure			
Building (Note 1)	(2,500)	(57)	(2,557)
Equipment (Notes 1,3 and 4)	(274)	(54)	(328)
	<u>(2,774)</u>	<u>(111)</u>	<u>(2,885)</u>
At 31 July 2010			
Building	29,450	4,739	34,189
Equipment	373	218	591
	<u>29,823</u>	<u>4,957</u>	<u>34,780</u>

14 Endowment (Consolidated & SGUL)

	Consolidated			SGUL		
	Permanent Restricted £'000	Permanent Expendable £'000	Total £'000	Permanent Restricted £'000	Permanent Expendable £'000	Total £'000
Capital Value	1,880	2,577	4,457	822	2,577	3,399
Accumulated Income	88	(123)	(35)	52	(123)	(71)
At 1 August 2009	<u>1,968</u>	<u>2,454</u>	<u>4,422</u>	<u>874</u>	<u>2,454</u>	<u>3,328</u>
New Endowments	-	-	-	-	-	-
Appreciation of SGUL Investments	65	205	270	66	204	270
Appreciation of Eleanor Peel Investments	33	-	33	-	-	-
Income for the year (Note 5)	71	89	160	28	89	117
Expenditure for the year	(19)	(84)	(103)	(19)	(84)	(103)
At 31 July 2010	<u>2,118</u>	<u>2,664</u>	<u>4,782</u>	<u>949</u>	<u>2,663</u>	<u>3,612</u>
Represented by:						
Capital Value	2,057	2,781	4,838	888	2,780	3,668
Accumulated Income	61	(117)	(56)	61	(117)	(56)
	<u>2,118</u>	<u>2,664</u>	<u>4,782</u>	<u>949</u>	<u>2,663</u>	<u>3,612</u>

Notes to the Accounts - Continued

15 Revaluation Reserve

		2009/10	2008/09
		£'000	£'000
Movements on SGUL and the Consolidated revaluation reserve	Note		
At 1 August 2009		-	71
Revaluation of fixed asset investments (Unrealised)		64	(71)
At 1 August 2010		64	-

The revaluation reserve is held in respect of fixed asset investments

15a Movement on General Reserve

		2009/10	2008/09
		£'000	£'000
At 1 August 2009		19,937	17,972
Surplus on continuing operations	8	65	1,965
At 31 July 2010		20,002	19,937

16 Capital Commitments

		2009/10	2008/09
		£'000	£'000
Consolidated & SGUL			
Building commitments approved but not contracted		7,800	-
Building commitments contracted		-	5,818

17 Reconciliation of Consolidated Operating Surplus (to net cash from operating activities)

		2009/10	2008/09
		£'000	£'000
Surplus		65	1,965
Depreciation	9	4,843	4,710
Deferred Capital Grants released to Income	13	(2,885)	(2,883)
Investment Income	18	(143)	(1,970)
Endowment Income	18	(160)	(163)
Interest paid on Bank Loan	18	816	831
(Increase)/decrease in Stocks		-	(3)
(Increase)/decrease in Debtors	11	(3,112)	(1,805)
Increase/(decrease) in Creditors	12 & 12a	2,887	1,388
Revaluation of Fixed Asset Investments taken to Expenses	9a	-	32
Net Cash Inflow from Operating Activities		2,311	2,102

Notes to the Accounts - Continued

18 Return on Investment & Servicing of Finance

		2009/10	2008/09
	Note	£'000	£'000
Income from Endowments	5	160	163
Other Investment Income			
Income from Investments		25	22
Interest on Cash Deposits		51	423
Foreign Currency Exchange Gain		67	1,525
	5	143	1,970
Interest paid on Bank Loan		(816)	(831)
Net Cash (Outflow)/inflow from Returns on Investments and Servicing of Finance		(513)	1,302

19 Capital Expenditure & Financial Investment

		2009/10	2008/09
	Note	£'000	£'000
Tangible Assets Acquired	9	(9,354)	(6,368)
Fixed Asset Investments Acquired	9a	-	-
Endowment Assets Received	10	-	8
Endowment Asset Investment Acquired	10	-	-
Total Fixed and Endowment Asset Investments Acquired		(9,354)	(6,360)
Receipt from sale of Fixed Asset Investment	9a	-	-
Receipt from sale of Endowment Asset	10	-	-
Deferred Capital Grants Received	13	3,494	3,209
		(5,860)	(3,151)

20 Analysis of changes in net debt

	At 1 August 2009	Cash Flow 2009/10	At 31 July 2010
	£'000	£'000	£'000
Cash at Bank and in Hand	14,962	(4,372)	10,590
Endowment Asset Investment (Note 10)	721	9	730
Bank Loan	(16,171)	310	(15,861)
	(488)	(4,053)	(4,541)

Notes to the Accounts - Continued

21 Changes in Financing During the Year

	2009/10	2008/09
	£'000	£'000
Consolidated & SGUL		
Debt Due within one year		
Bank Loan (Note 12)	-	-
Debt Due Beyond One Year		
Bank Loan (Note 12a)	-	-
Repayment of Loan Capital During the Year	(310)	(265)
Net Cash Outflow From Financing	(310)	(265)

22 Access Funds

	2009/10	2008/09
	£'000	£'000
Grant From HEFCE	68	88
Interest Received	-	-
Grants to Students	(68)	(88)
Balance refundable to HEFCE	-	-

The funding council grants are available solely for students; SGUL only acts as paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the Accounts - Continued

23 Related Party Transactions

SGUL enjoys a close relationship with St George's Healthcare NHS Trust and other health providers and purchaser organisations that 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 Strategy Planning and Resources Committee (SPARC). 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. SGUL'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 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.

24 Pension Schemes

SGUL participates in three pension schemes for its employees – the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the 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 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; one is appointed by the Higher Education Funding Council; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme's deeds and rules the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. SGUL is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. 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.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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 a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 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 6.4% per annum (which includes an additional assumed investment return over guts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality
PA92 MC YoB tables - rated down 1 year

Female members' mortality
PA92 MC YoB tables - No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of

Notes to the Accounts - Continued

conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65
22.8 (24.8) years

Males (females) currently aged 45
24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty

in the sector regarding pay growth. 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 has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the Institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065m). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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 principle assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

Notes to the Accounts - Continued

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 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 funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed 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.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the institution had 404 active members participating in the scheme.

The total pension cost for the Institution was £2,900,130 (2009: £2,523,016). This includes £Nil (2009: £313,529) outstanding contributions at the balance sheet date. The contribution rate payable by the Institution was 16% of pensionable salaries.

SAUL

The latest valuation was carried out as at 31st March 2008 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 Return:		
Pre-retirement	6.9%	5.3%
Post-retirement	4.8%	5.0%
Salary growth*	4.85%	4.85%
Pension increases	3.35%	3.35%
Market value of assets at last actuarial Valuation date	£1,266 million	
Proportion of members' accrued benefits covered by the actuarial value of assets	100%	
Current employers contribution rate	13.0%	

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 £1,242,772 (2009: £1,254,604). 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 Institution'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.

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 FRS 17 'Retirement benefits' the scheme has been accounted for, in these Financial Statements as a 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 last full actuarial valuation for which results are available was carried out in 2007. The employer contribution rate is 22%.

25 Operating Leases

SGUL has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31st July 2010 was £269k (included in note 7). The total of future minimum lease payments under these non-cancellable operating leases for each of the following periods is indicated in the table.

	Consolidated and SGUL 2009/10 £'000	Consolidated and SGUL 2008/09 £'000
Within 1 year	194	269
Between 1 and five years	135	329
After 5 years	-	-
	329	598



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