



Financial Statements 2016

St George's University of London

Financial Statements for the year ended 31 July 2016

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St George's University of London

Financial Statements for the year ended 31 July 2016

Council Membership

From 1 August 2015 to 31 July 2016 (up to and including 22 November 2016)

Independent Members

| | |
|-------------------------------|---------------------------|
| Professor Michael Spyer | Chair of Council |
| Mr Anthony Bicknell | |
| Mr David Carter | (From 1 October 2016) |
| Mr Michael Draper | |
| Professor Barry Gusterson | (Until 30 September 2016) |
| Sir David Henshaw | (From 1 March 2016) |
| Mr Don Kennedy | |
| Dr Rima Makarem | (From 1 October 2016) |
| Ms Sue Rimmer | |
| Mr Christopher Smallwood | (Until 31 December 2015) |
| Professor Steven Spier | (From 1 November 2016) |
| Mr Michael Stevens | (Until 30 September 2016) |
| Ms Catherine Swarbrick | |
| Mr Graham Turner | (Until 30 September 2016) |
| Professor Julius Weinberg | (Until 30 September 2016) |
| Mr Ewart Wooldridge | (From 1 January 2016) |
| Dr Sally Worth | (From 1 October 2016) |
| Professor Sir Nicholas Wright | (Until 31 December 2015) |

Internal Members

| | | |
|---------------------------|--|--|
| Professor Jenny Higham | Principal | (From 1 November 2015) |
| Professor Peter Kopelman | Principal | (Until 31 October 2015) |
| Professor Nigel Brown | Deputy Principal | (Until 30 September 2016) |
| Professor Mark Fisher | Deputy Principal (Research & Institutional Affairs) | |
| Professor Jane Saffell | Deputy Principal (Education) | (From 1 October 2016) |
| Professor Deborah Bowman | Dean for Students | (Until 30 June 2016) |
| Dr Aileen O'Brien | Dean for Students | (From 1 July 2016) |
| Professor Anne-Marie Reid | Dean of Teaching & Learning | (From 1 October 2015) |
| Professor David Strachan | Elected member of academic staff | |
| Mr Derek McKee | Elected member of support staff | |
| Mr Corey Briffa | Student's Union President | (From 1 October 2016) |
| Mr Steven Gilbert | Students' Union President/ Student Representative | (Until 30 September 2016) (From 1 October 2016) |

In attendance

| | | |
|-------------------|---|--------------------------|
| Ms Nicola Arnold | Director of Finance | (From 1 January 2016) |
| Mr Paul Ratcliffe | Chief Operating Officer | (From 1 July 2016) |
| Ms Susan Trubshaw | Head of Governance, Legal & Assurance Services & Clerk to Council | |
| Mrs Sophie Bowen | University Secretary & Director of Academic Administration & Quality | (Until 31 March 2016) |
| Mr John Unsworth | Finance & Corporate Services Director | (Until 31 December 2015) |

Strategic Review

Nature of the Institution

St George's, University of London (SGUL), whose forebear was established in 1733, is distinctive as the UK's only specialist medical and healthcare university. Its ability to achieve sustainable academic and financial success during this challenging time for higher education rests on its ability to innovate combined with its focus on its students, the excellence of its research and the dedication of its people.

SGUL shares its campus with St George's University Hospital NHS Foundation Trust (St George's NHS Trust) which further contributes to SGUL's distinctive character.

SGUL is ranked as one of the top 250 global universities in the Times Higher World Universities Rankings 2016, a significant achievement for a university of its size and specialist nature.

Our mission is to advance, promote and share knowledge of healthcare through excellence in teaching, clinical practice and research into the prevention and treatment of illness.

SGUL provides a wide range of high quality undergraduate and postgraduate healthcare, medical and biomedical education courses to UK and international students. Degrees are offered in biomedical science, healthcare science, physicians' associate studies and undergraduate and graduate MBBS programmes in medicine.

Degrees in paramedic science, diagnostic and therapeutic radiography, physiotherapy and Foundation degrees in nursing, social work, healthcare practice and breast imaging are offered through the Faculty of Health, Social Care and Education, operated jointly with Kingston University.

Clinical teaching is provided at St George's NHS Trust and a number of other healthcare providers in the UK and internationally in countries including the USA and Cyprus, in both hospital and community settings.

We are recognised globally for the quality of our research which focuses on public health and epidemiology, infection and immunity, cardiology, stroke and neuroscience.

Our vision, values and strategic developments

Following the appointment of the new Principal, Professor Jenny Higham, in November 2015 and a Council Away Day held in April 2016, a decision was taken to review the SGUL strategy. Until the revised strategy is agreed, we are still working towards the vision and objectives set out in the 2015-2020 strategy.

Our 2020 vision is to be internationally recognised as a leading provider of healthcare and biomedical education, developing the healthcare professionals to meet today's healthcare needs and tomorrow's healthcare challenges.

SGUL will conduct world-leading research into global health issues to the benefit of patients locally, nationally and internationally. Our vision for education will flourish in a research-intensive environment because our students will benefit from being a part of world leading developments.

Our 2020 vision will be achieved in collaboration with national and international partners from education, research and health in both the private and public sectors.

Our values are:

Distinctiveness

We are the UK's only university dedicated to healthcare, medical and health sciences education, training and research.

Together with Kingston University, we jointly operate the Faculty of Health, Social Care and Education.

We are co-located with St George's NHS Trust, the largest single-site hospital in London.

Strategic Review

Diversity

We are positioned at the heart of the south west London community and we reflect and value the social and ethnic diversity of our local community.

We uphold an interdisciplinary approach to research, education and learning.

We are recognised for our excellence in promoting fair and widening access, allowing participation in a wide range of healthcare professions. This also provides a strong base to extend our international student representation.

Dedication

We aim to apply the highest quality standards to our teaching and research activities for the benefit of our students, our staff and our alumni.

We continue to work hard to ensure that our students enjoy the best possible experience, educationally and socially, while studying at SGUL. We enjoy a close relationship with our students who are represented on our academic committees and on Council.

Our objectives remain:

- SGUL will be a leading specialist provider of healthcare and medical education, developing the people to meet today's healthcare needs and tomorrow's healthcare challenges;
- We will be at the heart of a system characterised by its collaborative relationships with partners from education and health, and including both the private and public sectors, notably St George's NHS Trust, Kingston University, the University of Nicosia and INTO University Partnerships; and
- We will conduct research into global health issues which will translate into patient benefit, starting with the population of south London, through the Collaborations for Leadership in Applied Health Research and Care (CLAHRC) and extending to an international dimension.

Key performance indicators

Key performance indicators are used by Council to monitor SGUL's progress towards its strategic objectives, relating to education and research, financial sustainability, staff and infrastructure. These are reported and reviewed on a regular basis internally by senior management and Council.

Highlights

Many of the highlights this year from our **education** portfolio have significantly improved our student experience including:-

- The five year plan to refurbish the library was completed so students now have a welcoming and well-resourced area in which to study which is open 24 hours a day from Monday to Saturday and from 9am to 9pm on Sunday
- A paramedic science simulation suite was opened in November 2015
- Teaching rooms were restocked with new equipment and work started on the refurbishment of the teaching rooms on the 1st floor of Jenner Wing
- An Education Centre has been created in the 6th floor of Jenner Wing, the home to the Institute of Medicine and Biomedical Science
- All new undergraduate students were issued with a tablet to support their teaching and learning
- The new programmes in Genomic Medicine, a PgCert, PgDip and MSc were all well received
- Work started on the student system to enable online applications, an applicant portal which will allow potential students to check their process and an enhanced document management system

Strategic Review

Widening participation is one of the key differentiators for SGUL within the London medical schools

- All Access Agreement targets were met or exceeded in relation to young, first time degree entrants
 - State schools entrants – target of >81.4%, achieved 82.3%
 - Entrants from low socio-economic classes (NS-SEC 4-7) – target of >29.1%, achieved 30.3%
 - Entrants from low participation neighbourhoods (polar 3, category 1) – target of >4.4%, achieved 4.8%
 - Retention – target of <3.4%, achieved 3.3%
- Over 4,500 young people and more than 200 state schools and further education colleges participated in outreach activity
- 15,000 unique users accessed the Taste of Medicine website
- 270 student ambassadors contributed over 8,000 hours towards widening participation, international and community engagement activities
- SGUL won the Widening Participation Work Exposure Award from People Matter: widening participation in health and care

The **research institutes** continue to evolve with new directors being appointed to the Institutes of Population Health and Molecular and Clinical Sciences.

- Population Health moved to Jenner Wing in refurbished accommodation so that all three research institutes are co-located for the first time
- SGUL was part of a successful bid with London School of Hygiene and Tropical Medicine and Brighton and Sussex Medical School for a Wellcome Trust Clinical PhD programme on Global Health which will provide four PhD studentships for each of the next five years
- SGUL has been recognised as a Centre for the Treatment of Multidrug Resistant Tuberculosis
- The new Sports Cardiology MSc was endorsed by Rugby Football Union, Cardiac Risk in The Young, English Institute of Sport and London Marathon Events
- Grants awarded include
 - £250k from GlaxoSmithKline and Meningitis Now for a clinical trial on vaccinating premature babies against meningitis B
 - £750k (with University College London and University College Cork) for a Cystic Fibrosis Trust Strategic Research Centre
 - US\$450k from PATH Vaccine Solutions to examine the relationship between Respiratory Syncytial Virus and long-term pulmonary outcomes
 - €1.9m from the European and Developing Countries Clinical Trials Partnership to run the Driving REduced AIDS-related Meningo-encephalitis Mortality study
 - £365k from the Medical Research Council on a new tool to diagnose loss of language during neurodegeneration as part of a £1m collaborative grant
- Major outputs include
 - articles on anti-microbial resistance in the British Medical Journal, Lancet Infectious Diseases, Journal of Infection, Public Library of Science (PLOS) Medicine, PLOS Neglected Tropical Diseases, Nature Scientific Reports and Nature Communications
 - Lancet reports which define the contribution of air pollution to life expectancy and disability-adjusted life in the UK and worldwide
 - Cochrane Review showing that patients with asthma receiving supplementation with vitamin D have lower risk of severe attacks requiring hospitalisation
 - British Medical Journal report on the impact of increasing exercise levels during pregnancy on smoking cessation
 - Papers in the New England Journal of Medicine publication of a trial in healthy breast fed infants looking at early introduction of allergenic food and reduction of food allergies and improved therapy for high blood pressure in pregnancy
 - Publication in Brain on using MRI to analyse white-matter degeneration in relation to vascular disease
 - Report in Nature Communications about a new gene (PIEZO1) for generalise lymphatic dysplasia
 - New and ground breaking study on patients with intellectual disability showing higher mortality rates and risk of chronic disease

Strategic Review

- National Academy of Science paper on the molecular control of blood pressure
- clinical trials results published on Phase 1 HIV vaccine study; antibody responses after primary immunization in infants born to women receiving a Pertussis-containing vaccine during pregnancy and intramuscular artesunate for severe malaria in African children; and ground-breaking cancer drug IMM-101 which activates the host immune system, improving the survival rates in metastatic cancer

Infrastructure and **facilities** continue to improve through increased investment to update and improve equipment and systems for both staff and students. This includes:-

- a new electron microscope, sample processor and embedding station and light microscopy slide scanner for the Image Resource Facility which is used for both teaching and research
- the Biological Research Facility animal handling areas have been modernised
- a data safe haven was invested in which allows SGUL to securely hold identifiable patient data to ensure compliance with the NHS IT governance toolkit requirements
- space rationalisation and refurbishment continued which has resulted in a 20% increase in space utilisation across the campus
- work has begun on a new HR and payroll system with an implementation date of April 2018

Risk and uncertainties

The main risks facing SGUL are identified and monitored by the Risk Management and Efficiency Committee and reported to the Audit Committee and Council on a regular basis. The areas of highest risk considered by the Committee during the year were:

- student satisfaction, as monitored through NSS scores, and the impact this has on league table positions
- our relationship with St George's NHS Trust and the impact of its financial challenges
- the academic and financial performance of the joint venture with INTO University Partnerships
- maintaining medium to long-term financial sustainability
- maintaining sufficient investment in our Estate and Information Services (IS) developments to improve our student experience and operational sustainability.

These were mitigated during the year through regular and robust financial reporting to senior management, tight control over costs, regular reviews by senior management of progress on the financial improvement programme, and regular reviews of our capital programme based on key IS and Estates improvements.

These areas will continue to be the focus of the new strategy, in particular our students and their experience at SGUL, and our collaborations and interaction with our local community.

Other areas which are being monitored, although the extent to which they can be influenced is minimal, are the impact of Brexit (particularly in regard to research collaborations and EU funding), the Teaching Excellence Framework and the funding of the NHS.

St George's University of London

Financial Statements for the year ended 31 July 2016

Strategic Review

Financial Review

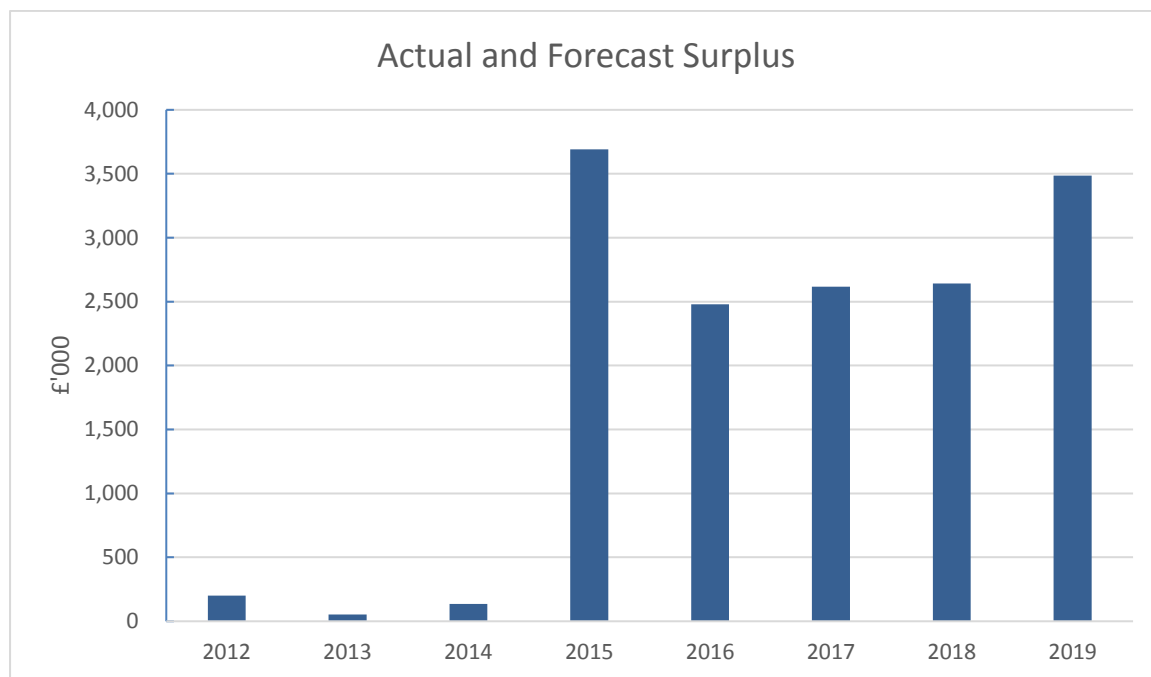
The Financial Statements of SGUL are prepared in accordance with the "Statement of Recommended Practice: Accounting for Further and Higher Education 2015" and with reference to the Memorandum of Assurance and Accountability which regulates the formal relationship between the Higher Education Funding Council for England (HEFCE) and SGUL. HEFCE also acts on behalf of the Charity Commission as the principal regulator of SGUL as an exempt charity in accordance with the Charities Act 2011.

| Consolidated Income and Expenditure Account | 2016 | 2015 |
|--|-------------|-------------|
| | £m | £m |
| Tuition fees and education contracts | 28.8 | 28.7 |
| Funding body grants | 18.8 | 21.1 |
| Research grants and contracts | 12.9 | 11.6 |
| Other operating income | 24.6 | 23.0 |
| Investment income, donations and endowments | 0.4 | 0.5 |
| Income | 85.5 | 84.9 |
| Total Expenditure | 82.1 | 80.8 |
| Share of operating losses in joint ventures and associates | 0.2 | 0.4 |
| Loss on investments | 0.3 | - |
| Taxation | 0.3 | - |
| Surplus for the year | 2.5 | 3.7 |
| Non-current assets | 95.9 | 90.9 |
| Current assets | 24.7 | 29.6 |
| Creditors falling due in less than one year | (20.1) | (21.5) |
| Net current assets | 4.6 | 8.1 |
| Creditors falling due in more than one year | 47.3 | 49.9 |
| Investment in joint venture | 2.2 | 1.9 |
| Pensions provision | 5.0 | 4.4 |
| Total net assets | 46.0 | 42.8 |
| Restricted reserves | 12.1 | 12.1 |
| Unrestricted reserves | 33.9 | 30.7 |
| Total reserves | 46.0 | 42.8 |

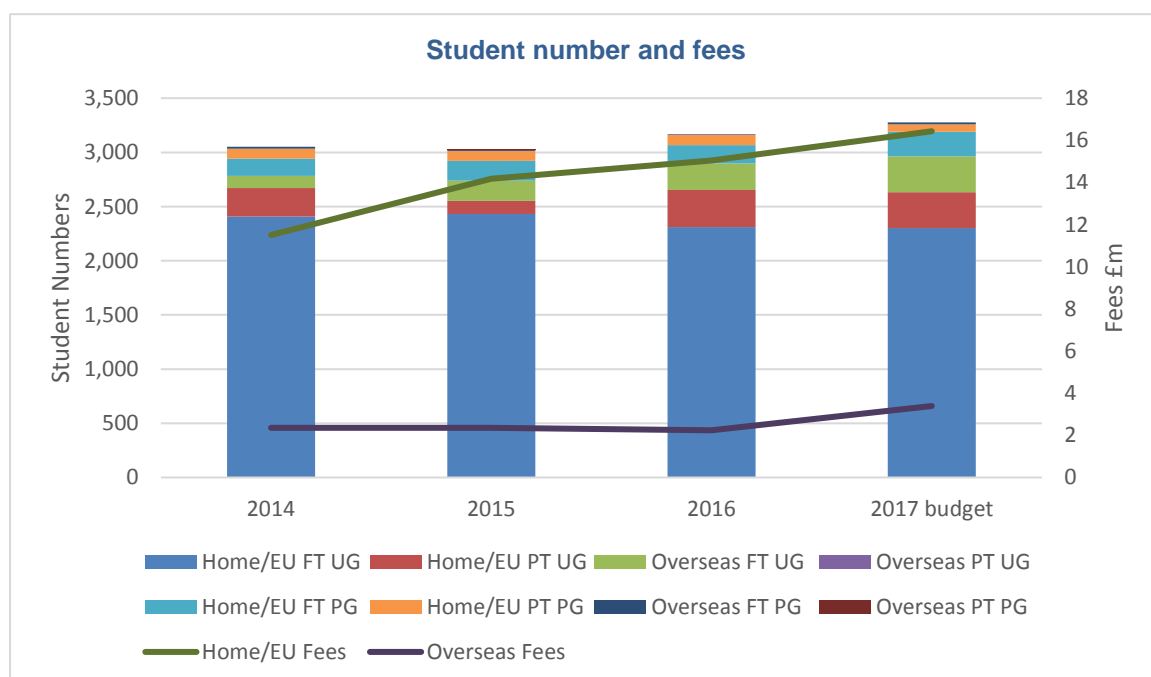
The accounts have been prepared under FRS 102, rather than UK GAAP and the comparative figures for 2015 have been restated. This is explained in more detail in Note 29.

Strategic Review

The **financial result** for the year, despite being lower than 2015 which was exceptional, is, with a surplus of 2.9% of income, in line with SGUL's aim of delivering a 5% surplus (under UK GAAP) by 2019-20. This is a result of management action, through the finance improvement plan, with a focus on increasing income and managing costs. After a number of years of breakeven, the surplus remains on course to improve each year.



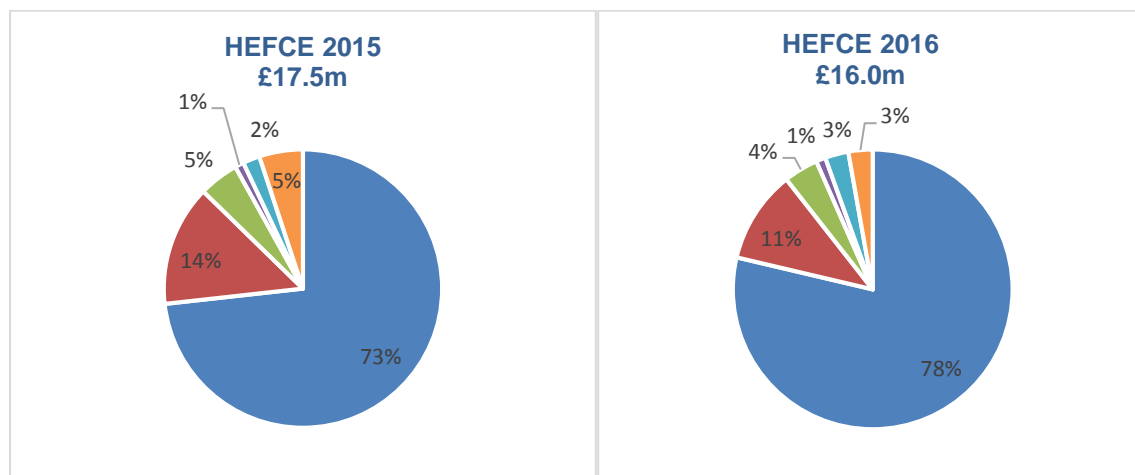
Student numbers continue to improve which is an indication of SGUL's success in attracting students from both home and overseas, despite the increased competition, particularly in London, the cap which is imposed on the MBBS programme and commissioning restrictions from Health Education England.



Strategic Review

Our focus will continue to be on increasing our post graduate and continuous professional development offerings, as well as ensuring that we attract the best students from both home and overseas. An example of this was the decision for the home MBBS course to go into clearing in August 2016 which resulted in all places for September 2016 being filled without grades having to be compromised.

In line with the sector and the move away from **HEFCE funding** to student fees, HEFCE funding has reduced from 2015 as the final years of the old fee regime are replaced with a higher fee of £9,000 for home/EU students.



Teaching grant
 Business QR

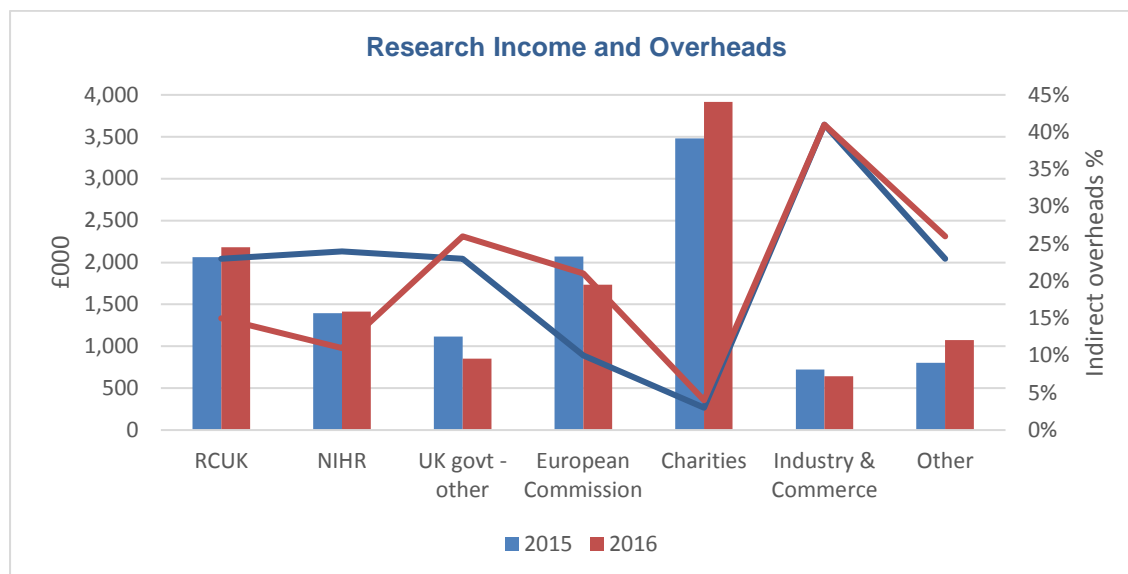
Mainstream QR
 Postgraduate research QR

Charity QR
 Higher Education Innovation Fund

However, 2016 is the first year of the new allocation of the mainstream QR, based on the results of REF 2014 and whilst SGUL was ranked fourth in UK in terms of impact, the amount of income which has been allocated has reduced significantly as the quality of research reviewed has improved and the total mainstream QR has been spread more widely and the average unit of assessment has decreased. This has reduced the amount of QR received from £2.6m to £1.6m, to only 11% of the total HEFCE income. The decline in research over the last five years is also impacting the amount of charity and business QR which has been received, although support for postgraduate students has increased by £88k (24%).

Income from the Higher Education Innovation Fund (HEIF) has seen a significant reduction from £935k to £467k as the amount of enterprise and knowledge transfer activity has decreased based on results of the Higher Education Business and Community Interaction survey results. This activity has not been a high priority, however, SGUL is working closely with clinicians from St George's NHS Trust, as well as our own research staff, in order to obtain patents for innovations which may have future licencing and spin-out opportunities. Not only will this increase our income from these sources, it will also increase the amount of HEIF income to support future enterprise activity

Strategic Review



Total **research income**, excluding the research and development credit, is broadly unchanged at £11.5m (£11.6m – 2015). A total of 59 new grants have been won during the year, worth £10.3m, a success rate of 20% which is in line with the sector average. We have been particularly successful in winning competitive charity grants with £2.4m being awarded from the British Heart Foundation, Wellcome Trust and Cancer Research and £1.4m from the European Commission. The overhead recovery rate remains a concern, having fallen from 15% in 2015 to 13% overall in 2016 and a review of the research portfolio will be undertaken in the next year with an aim of moving this upwards. This will be a challenge, given the high dependence on research from charities, although it should be remembered, that charity QR will be received retrospectively on grants from qualifying charities.

Also included in research income is £1,295k received as the research and development expenditure credit. This is a tax relief available against eligible expenditure where the research and development is seeking to achieve an advance in science and technology, subject to uncertainty and conducted in a systematic and thorough fashion. It is subject to corporation tax of £294K, leaving a net income for the year of £1,001k.

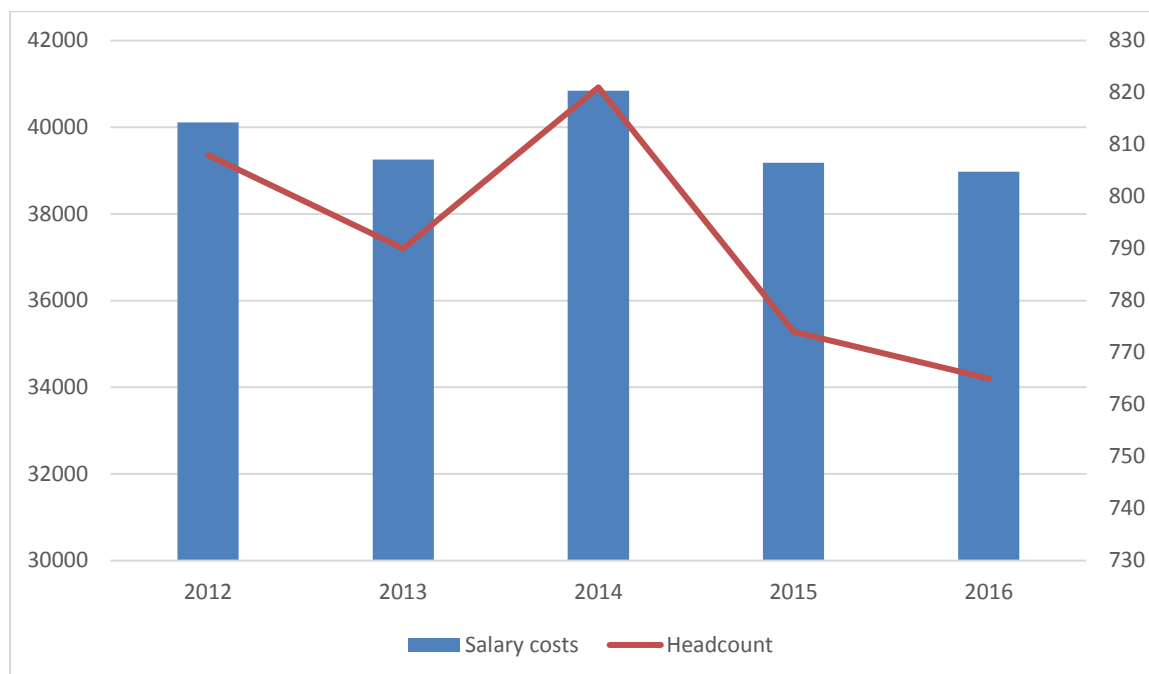
The main sources of income within **residences, catering and conferences** is from the Horton Halls, SGUL's halls of student residence comprising 486 ensuite rooms a short walk from the campus, rented to our students, together with a small amount of income from commercial lets and media services.

Other services rendered income includes staff recharges to the NHS, mainly St George's NHS Foundation Trust, and recharge income from our joint ventures with Kingston University (the Faculty of Health, Social Care and Education) and INTO University Partners (INTO – St George's). These courses have increasing numbers of students, and our recharges for teaching and space have increased as student numbers have grown. Commercial use of the Biological Research Facility has declined this year as a long-term contract ended.

Income from the Department of Health such as Service Increment for Teaching (which pays for clinical placements) and Health Education South London (funding training and placements to the NHS) is included within **other income**, as is franchise income from the University of Nicosia, our share of income from the INTO – St George's joint venture company and consultancy income earned by academic staff.

Strategic Review

Staff costs and headcount continue to be tightly controlled and monitored and staff headcount has reduced by 5% over the last five years, whilst maintaining the average salary. However, this will become increasingly difficult in the immediate future with increases in both employers national insurance and pension contributions as well as the introduction of the apprenticeship levy.



Controls over **other operating expenditure** remain in place. With the increase in student numbers, there has been an increase in academic and related expenditure and premises expenditure increases as investment is made in the estate. Other expenses include the costs related to the Faculty of Health, Social Care and Education and the international joint ventures which have also increased with the increase in their student numbers.

The **balance sheet** remains strong with an increase in reserves of £3,145k.

Expenditure on the estate increased from £3,500k in 2015 to £5,259k in 2016. The majority of this investment was on the space utilisation programme, which has refurbished and upgraded accommodation in both Hunter and Jenner Wings. Other areas of **capital expenditure** include the second stage of the Centre for Paramedic Science, a state of the art simulation suite, the diagnostic evaluation facility and an upgrade of standby generators to ensure a robust, self-sufficient backup for power. In Information Services, infrastructure upgrades to the core and edge network and wifi solutions were undertaken, alongside work on the student system and the start of the project to change the HR/payroll system.

£5m of cash, which was surplus to operational needs, was added to the **investment** portfolio in October 2015 with the objective of seeking to increase the return from SGUL's financial assets during a period of low interest rates. In 2016, the portfolio generated income of £377k together with a net capital gain of £400k.

SGUL's **cash** position remains strong being £13.1m despite the additional capital expenditure and the transfer to the investment portfolio. Cash flows and forecasts are produced on a monthly basis and are reviewed regularly by the Finance Committee.

SGUL has two long-term loans, with Barclays Bank plc and Santander UK plc, repayable in 28 and 10 years respectively. The covenants for each loan have been reviewed and are easily covered by the current financial position.

Public Benefit Statement

SGUL is an exempt charity under the terms of The Charities Act 2011. In setting and reviewing its objectives and activities, Council has 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.

Our overall charitable aims are embodied in the Statutes of SGUL:

IV Objects of SGUL

The objects of SGUL are to advance learning and knowledge by teaching and research in medicine, nursing, midwifery, the allied health professions, in biological sciences and any other sciences, and in social work, in healthcare management and in all matters connected with the practice of medicine and allied subjects in all their branches and in any other subject or area as SGUL should determine; and insofar as it is necessary or desirable in any way for the achievement of the foregoing objects to contribute directly or indirectly to the treatment and care of patients.

How we achieve our charitable aims is set out below.

We are an internationally recognised specialist medical college of the University of London which provides an education to undergraduate and postgraduate students within an interdisciplinary environment, with an intake of more than 1,200 students each year from all courses. This education develops students academically and advances their interpersonal and leadership skills, thus preparing them to play full and effective roles within the healthcare field.

In particular, we provide:

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

We advance research through:

- providing researchers with outstanding research facilities. This research has direct benefits to patients, and has demonstrated longer-term socio-economic impacts with regard to the health, well-being, and quality of life of the general population
- arranging visits from outstanding academics and healthcare experts from both the UK and overseas
- encouraging and supporting the dissemination of research and healthcare advancements through lectures, seminars and the publication of papers in academic and professional journals or other suitable means. In September 2016 SGUL was top of the World University Rankings for citations or research influence, demonstrating SGUL's contribution to the sum of knowledge, which has been built on by others, expanding the boundaries of understanding and which has been shared around the globe.

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

We admit students who have the highest potential for benefiting from the healthcare education that SGUL and its collaborative partners provide.

Public Benefit Statement

We have no ethnic, religious, geographic, socio-political and economic barriers and students, researchers and academics are drawn from the UK and abroad. We are increasing the number of international students to supplement our strong UK recruitment.

We are focussed on maintaining an excellent reputation in a scientific, clinical and educational teaching and research portfolio; and attracting, retaining and nurturing the most talented students and staff.

Our three year 'Single Equality Scheme' is directly allied to our 2015 - 2020 Strategic Plan. The scheme is an action plan designed to embed equality and diversity throughout all SGUL's work. The action plan supporting the Single Equality Scheme is approved by Council each year.

We operate an extensive outreach programme, to raise educational aspirations and attract outstanding applicants who might not consider a healthcare career, or applying to the medical school. This programme includes educational school open days, admissions symposia for teachers, visits by current students to school and colleagues, residential summer schools for students from under-represented groups in higher education, as well as guidance and information on our website for prospective applicants.

We offer a number of bursaries/awards each year to students who are entitled to student support. In addition, there is an extensive package of bursaries and support awards to provide selective help for students who are in financial difficulties.

We hold open days, open lectures and seminars and similar events oriented to the local community and their engagement with SGUL.

We employ both clinical and non-clinical staff to fulfil our charitable purposes of advancing education, learning and research. We aim to ensure that all salaries, stipends and employment-related benefits are objectively reasonable, compared to academic and clinical earnings generally; annual pay increases normally follow national settlements applying to the university sector.

Members of Council receive no remuneration for their services. There are no waived entitlements or other benefits for serving as Council members (Trustees). Council members can claim reasonable expenses such as travel. The total amount of expenses claimed in 2016 was less than £1,000.

Related party transactions are set out on page 42 of the Financial Statements.

SGUL does not have any Paragraph 28 (Charities Act 2011 Schedule 3) connected charities that have an income in the year of £100,000 or more.

Corporate Governance Statement

Introduction

St George's, University of London (SGUL) is committed to good practice in all aspects of corporate governance. SGUL complies with the provisions of the UK Corporate Governance Code (insofar as it relates to a higher education institution), the HEFCE Accounts direction requirements, the Memorandum of Assurance and Accountability, and also the Higher Education Code of Governance published by the Committee of University Chairs. This includes adherence to 'The Seven Principles of Public Life' (the Nolan Principles). Council has due regard to the Charity Commission's guidance on public benefit. By accomplishing its objects as set out in SGUL's Scheme and Statutes, SGUL meets the charitable purposes of the advancement of education, health training and research as set out in the Public Benefit Statement.

Council

Council is SGUL's governing body and in exercising its role and powers undertakes to meet the obligations placed upon SGUL by its Scheme and Statutes, and on its members as charity trustees. The Scheme and Statutes were recently reviewed and updated, and, following approval by the University of London, came into force on 30 September 2014. The objects, powers and framework of governance are set out in the Scheme and Statutes.

Council is responsible for the overall strategic direction of SGUL, for its financial affairs, property investments and general business, and for presenting audited financial statements for each financial year. The matters specifically reserved to Council for decisions are set out in the Scheme and Statutes, by custom, and under the Memorandum of Assurance and Accountability between HEFCE and Higher Education Institutions.

Council has a majority of members from outside SGUL (described as Independent Members), from whom the Chair and Vice-Chair must be drawn. Members also include representatives of the staff of SGUL and the student body. No Independent Member receives any payment, apart from the reimbursement of expenses, for the work that they do for SGUL. The role of Chair of the Council is separate from the role of the Chief Executive, the Principal.

In compliance with the Higher Education Code of Governance, the Council has agreed a Statement of Primary Responsibilities which accords with the Schemes and Statutes of SGUL.

Senate

The Senate is SGUL's academic authority and draws its membership entirely from the academic staff and the students of SGUL. Its role, subject to the Scheme and Statutes, is to direct and regulate the teaching and research work of SGUL.

Council Committees

The Council meets at least five times each year, and in 2016 it met on five occasions, including an Away Day. There are supporting Committees of Council, which are formally constituted with written terms of reference and specified membership including a significant proportion of Independent Members. The Chair of Council is *ex-officio* on all Committees of Council except for the Audit Committee.

Council's specialist Committees include the Audit Committee, Finance Committee (incorporating reviews of Investments and Estates), Nominations and Honorary Awards Committee, Remuneration Committee, and Human Resources Committee.

Council and its Committees are currently chaired by Independent Members, with the exception of the Human Resources Committee, which is chaired by the Deputy Principal (Education). Council receives advice from the Strategy, Planning and Resources Committee, the executive management committee of SGUL, and it also has oversight of the work of the Equality and Diversity Committee. Council approves the Single Equality Scheme Action Plan on an annual basis.

Corporate Governance Statement

Audit Committee

The Audit Committee normally meets four times a year, with external and internal auditors invited to attend meetings as appropriate. The Committee considers detailed reports from the internal and external auditors and other relevant reports including any from HEFCE, together with recommendations for the improvement of the systems of internal control, value for money studies and management's response and implementation plans. It also monitors adherence to regulatory requirements.

In order to comply with the Higher Education Code of Governance, the Audit Committee is entirely comprised of Independent Members appointed by Council from amongst its members, and co-opted Independent Members also appointed by Council.

Senior executives attend meetings of the Audit Committee as necessary but are not members of the Committee. The Committee meets the internal and external auditors once a year, without the presence of senior executives.

Finance Committee

The Finance Committee recommends to Council the annual revenue and capital budgets and monitors performance in relation to approved budgets. It supervises all matters relating to the finance, accounts and financial regulations of SGUL, the investment of funds, the receipt of income and the expenditure thereof, and the management of its investments and borrowings. The Finance Committee meets five times a year. Senior executives attend meetings of the Finance Committee but are not members of the Committee.

Nominations and Honorary Awards Committee

The Nominations and Honorary Awards Committee seeks to ensure diversity, breadth and continuity of expertise amongst the membership of Council. It also undertakes succession planning with respect to the membership, leadership of committees and advice on governance. It also seeks, considers and makes recommendations for the award of Honorary Fellowships and Honorary Degrees.

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

Remuneration Committee

The Remuneration Committee reviews and recommends the salary and conditions of service of the Principal, and the remuneration arrangements for senior staff. It also considers the arrangements for succession management and planning in relation to senior and leadership posts within SGUL.

Human Resources Committee

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

Equality and Diversity Committee

The Equality and Diversity Committee, meets at least four times a year and considers all issues of equality and diversity at SGUL, including issues arising from employee and student affairs. It makes recommendations for changes in SGUL's policies and monitors other matters. The Committee reports regularly to Council.

Strategy Planning and Resources Committee

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 Directors of the Education and Research Institutes and Senior Administrative staff. The Committee meets at least nine times per year.

Corporate Governance Statement

Internal Control and Risk Management

Council is responsible for ensuring that a rigorous system of internal control is maintained in accordance with the responsibilities assigned to Council in the Scheme and the Memorandum of Assurance and Accountability with HEFCE. This system supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which Council is responsible,

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mismanagement or loss. The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is of the view that the process has continued to identify, evaluate and manage significant risks throughout the year to 31 July 2016, and to the date of the approval of the annual Financial Statements.

Council has adopted a Risk Management Policy which identifies where the principal management responsibility rests for risk management. Council has, in conjunction with the Audit Committee:

- Reviewed the Risk Management Policy to ensure it continues to identify risk and evaluates the likelihood and impact and communicates this to management
- Ensured that regular meetings of the Risk Management and Efficiency Committee have been held to develop policies and embed risk management processes into the organisation
- Reviewed the risk register and reports of the Risk Management and Efficiency Committee
- Ensured that the risk register clearly identifies the likelihood and impact of risks, and that responsibility for risks has been allocated, and the residual risk determined taking account of control mechanisms in operation
- Requested the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures
- Commissioned internal audits from Deloitte, SGUL's independent internal auditors. The audit planning is carried out jointly with senior executives and is based primarily on SGUL's risk register

The strategic risk register has been reviewed in 2016 and an improved monitoring reporting framework for risk has been developed.

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

Effectiveness Reviews

Regular reviews with independent and elected members of Council are conducted. Key points from the reviews are presented to Council and an action plan agreed for the continuing improvement of the effectiveness of its operation. The Standing Orders of Council prescribe that an effectiveness review should be conducted every three years. The next effectiveness review of Council is scheduled for 2016-2017.

Going Concern

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

Michael Draper

Vice-Chair of Council

Statement of Council's Responsibilities

In accordance with the Scheme and Statutes of SGUL, the Council is responsible for the direction and management of SGUL'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 SGUL and enable it to ensure that the Financial Statements are prepared in accordance with the Scheme, the Statement of Recommended Practice in Accounting for Further and Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with the Higher Education Funding Council for England, the Council, through the Principal, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of SGUL and of the surplus or deficit and cash flows for that financial year.

Council has ensured that, in preparing the Financial Statements:

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

In practice Council delegates responsibility to the Finance Committee for ensuring that proper accounting records are maintained and Financial Statements are prepared in accordance with generally accepted accounting practice.

Council, through the Principal and the Finance Committee, has taken reasonable steps to ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. The Principal is responsible for advising the Council if, at any time, any action or policy under consideration by Council appears to the Principal to be incompatible with the terms of the Financial Memorandum agreed with HEFCE.

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

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

Statement of Council's Responsibilities

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

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

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

St George's University of London

Financial Statements for the year ended 31 July 2016

Independent Auditor's Report to the Council of St George's University of London

We have audited the Financial Statements of St George's, University of London for the year ended 31 July 2016 which comprise the Group and University Statement of Comprehensive Income and Expenditure, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of the Council and auditor

As explained more fully in the Statement of Council's Responsibilities set out on page 16 the Council is responsible for the preparation of Financial Statements which give a true and fair view.

Our responsibility is to audit, and express an opinion, on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the Financial Statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2016 Financial Statements.

St George's University of London

Financial Statements for the year ended 31 July 2016

Independent Auditor's Report to the Council of St George's University of London

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2016 Financial Statements have been met.

Joanne Lees

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 November 2016

Statement of Principal Accounting Policies

1. Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with the applicable United Kingdom accounting standards. SGUL is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain fixed assets.

The consolidated Financial Statements do not include those of the Students' Union because it is a separate independent charity and is not controlled by SGUL.

2. Basis of consolidation

The consolidated Financial Statements include SGUL and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Associates and joint ventures are accounted for using the equity method of accounting.

Investment in subsidiaries

The consolidated Financial Statements incorporate the Financial Statements of SGUL and entities controlled by the Group (St George's Estates Limited, St George's Enterprises Limited and St George's Global Partners Limited). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the Eleanor Peel Chair of Geriatric Medicine Fund, a separate charity, are consolidated into the Group Financial Statements on the basis that SGUL exercises control over the charity.

The results of subsidiaries acquired or disposed of during the year are included from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the Financial Statements of the parent.

Investments in joint ventures

Arrangements where SGUL exercises a joint control with another party over the strategic financial and operating decisions relating to a specific activity, are classified as joint ventures. There are three types of joint ventures: jointly controlled operations, jointly controlled assets and jointly controlled entities.

SGUL and Kingston University have a joint arrangement that constitutes a jointly controlled operation, the Faculty of Health, Social Care and Education which provides education for nursing, midwifery, social work and other allied health professionals. No separate legal entity is established and the assets and liabilities are divided equally with SGUL's 50% share reflected on the balance sheet. SGUL recognises the expenses that it incurs and its share of income earned from the sale of goods and services by the joint operation.

Statement of Principal Accounting Policies

St George's Global Partners Limited holds a 50% interest in INTO University Partnerships Limited which is a separate legal entity. The arrangement is classified as a jointly controlled entity. Investments in jointly controlled entities are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the jointly controlled entity, less any impairment.

Investments in jointly controlled entities are accounted for at cost less impairment in the individual Financial Statements of the parent.

Investment in associates

Where SGUL has significant influence over the financial and operating decisions of an entity, it is classified as an associate. A direct or indirect voting right of 20% or more is normally considered significant influence. SGUL holds a 40% share in Tika Diagnostics Limited and a 35% share in BUGS Bioscience Limited via St George's Enterprises Limited and these are classified as associates.

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for at cost less impairment in the individual Financial Statements of the parent.

Investments

Investments in shares (other than shares of a subsidiary, associate or joint venture) are carried at cost less impairment.

3. Income recognition

Income from HEFCE recurrent grants, tuition fees and education contracts is included in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which it is receivable. Other non-recurrent grants from HEFCE are recognised as income to the extent of the equivalent expenditure during the year.

Grant funding

Income from research grants and contracts received from commercial sources is treated as revenue and recognised when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to SGUL, the stage of completion can be measured reliably and the costs of delivery can be measured reliably.

Grants from governmental sources are classified either as revenue or capital grants and are accounted for using the accruals model. Revenue government grants are recognised in income on a systematic basis over the periods in which SGUL recognises the related costs for which the grant is intended to compensate. Capital government grants are recognised in income on a systematic basis over the expected useful life of the asset to which the grant relates. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Statement of Principal Accounting Policies

Other grants and donations from non-government sources, are classified as non-exchange transactions and recognised within the Consolidated Statement of Comprehensive Income and Expenditure when SGUL is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure when such conditions have been met.

Grants with restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure on entitlement to the income and subsequently retained within a restricted reserve until such time that expenditure is incurred in line with the restriction.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when SGUL is entitled to the income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions must be recorded within the Consolidated Statement of Comprehensive Income and Expenditure under donations on entitlement to the income.

An endowment fund is a form of charitable trust retained for the benefit of SGUL. Endowment funds are sub-divided into their capital element and an accumulated income fund. Where a grantor indicates an intention for the institution to establish an endowment then the income is accounted for as an endowment fund.

New endowments are recorded within the Consolidated Statement of Comprehensive Income and Expenditure, under endowment income, on entitlement to the income. The restricted income received is held in the temporarily (expendable) or permanently restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

The gain or loss on the value of any investments held by the endowment fund is recorded within the Consolidated Statement of Comprehensive Income and Expenditure under the gain or loss on investments. Investment income received from the endowment fund's investments is recorded within investment income and held within the temporarily or permanently restricted reserve to the extent that it has not been spent in line with the restrictions of the donation.

4. Accounting for retirement benefits

The two principal pension schemes for SGUL are the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL). Through the Faculty of Health, Social Care and Education, SGUL also participates indirectly with the Royal Borough of Kingston upon Thames Pension Funds via the Faculty's employees. The schemes are defined benefit schemes based on final pensionable pay. The assets of the Schemes are held separately from SGUL. Defined benefit multi-employer schemes, where SGUL 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 a defined contribution benefit 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 the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

Statement of Principal Accounting Policies

Defined contribution scheme

A defined contribution scheme is a post-employment benefit scheme under which the employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit schemes

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on high quality corporate bonds denominated in the currency of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to SGUL, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the scheme, reductions in future contributions to the plan or on settlement of the scheme and takes into account the adverse effect of any minimum funding requirements.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to SGUL. Any unused benefits are accrued and measured as the additional amount SGUL expects to pay as a result of the unused entitlement.

6. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. SGUL does not hold any intangible assets other than computer related software which is amortised over 10 years.

7. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of transition.

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 2016. They are not depreciated until they are bought into use.

Equipment costing less than £10,000 per individual item is written off to the Consolidated Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment is capitalised at cost.

Statement of Principal Accounting Policies

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land and buildings under construction, over their expected useful lives, using the straight-line method. The rates applicable are:

- Freehold and leasehold buildings 50 years
- Partial refurbishments of buildings 10 years
- Motor vehicles and other general equipment 5 years
- Equipment acquired for specific research projects 10 years
- Computer equipment 3 years

8. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

9. Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

10. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

11. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

12. Provisions for liabilities

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

Statement of Principal Accounting Policies

13. Foreign currency

SGUL's functional currency is the sterling pound.

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 Consolidated Statement of Comprehensive Income and Expenditure.

14. Taxation

SGUL is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, SGUL is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The trading subsidiary companies, St George's Enterprises Ltd and St George's Global Partners Ltd, are subject to corporation tax, whilst the non-trading and charitable activities are outside the scope of corporation tax.

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are more likely than not to be recovered. Deferred tax and liabilities are not discounted.

15. Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to SGUL, are held as a permanently restricted fund as SGUL must hold the fund to perpetuity.

Other restricted reserves include balances through which the donor has designated a specific purpose and therefore SGUL is restricted in the use of these funds.

16. Transition to FRS 102

SGUL has prepared its Financial Statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the Group is provided in Note 29.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemption have been taken into these Financial Statements:

- Fair value or revaluation as deemed cost - at 1 August 2014, fair value has been used for deemed cost for land measured at fair value.

St George's University of London
Financial Statements for the year ended 31 July 2016

Consolidated Statement of Comprehensive Income and Expenditure

| | | 2016 | | 2015 | |
|--|-------|----------------------|---------------|----------------------|---------------|
| | Notes | Consolidated £000 | SGUL £000 | Consolidated £000 | SGUL £000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 28,793 | 28,793 | 28,712 | 28,712 |
| Funding body grants | 2 | 18,791 | 18,791 | 21,054 | 21,054 |
| Research grants and contracts | 3 | 12,841 | 12,841 | 11,647 | 11,647 |
| Other operating income | 4 | 24,637 | 24,637 | 22,983 | 22,952 |
| Investment income | 5 | 377 | 350 | 317 | 224 |
| Donations and endowments | 6 | 33 | 33 | 37 | 37 |
| Total Income | | 85,472 | 85,445 | 84,750 | 84,626 |
| Expenditure | | | | | |
| Staff costs | 7 | 47,910 | 47,910 | 48,902 | 48,833 |
| Other operating expenses | 9 | 27,226 | 27,186 | 24,680 | 24,660 |
| Depreciation and amortisation | 11-12 | 5,752 | 5,752 | 5,905 | 5,905 |
| Interest and other finance costs | 8 | 1,253 | 1,253 | 1,306 | 1,306 |
| Total expenditure | | 82,141 | 82,101 | 80,793 | 80,704 |
| Surplus before share of operating deficit of joint venture & associates | | 3,331 | 3,344 | 3,957 | 3,922 |
| Share of operating loss in joint venture | | (275) | - | (532) | - |
| Operating surplus in associates | 18 | (14) | - | 108 | - |
| (Loss)/Gain on investments | 13 | (268) | (247) | 157 | 140 |
| Surplus before tax | | 2,774 | 3,097 | 3,690 | 4,062 |
| Taxation | 10 | (294) | (294) | - | - |
| Surplus for the year | | 2,480 | 2,803 | 3,690 | 4,062 |
| Surplus for the year attributable to: | | | | | |
| Non-controlling interest | | (14) | - | 108 | - |
| SGUL | | 2,494 | 2,803 | 3,582 | 4,062 |
| | | 2,480 | 2,803 | 3,690 | 4,062 |

All items of income and expenditure relate to continuing operations.

St George's University of London
Financial Statements for the year ended 31 July 2016

Consolidated Statement of Changes in Reserves

| | Income and Expenditure Account | | | Revaluation Reserve | Total excl. Non-Controlling Interest | Non-Controlling Interest | Total |
|--|--------------------------------|--------------------|----------------------|---------------------|--------------------------------------|--------------------------|---------------|
| | Endowment £000 | Restricted £000 | Unrestricted £000 | £000 | £000 | £000 | £000 |
| Balance as at 1 August 2014 | 4,858 | 5,908 | 17,358 | 9,462 | 37,586 | - | 37,586 |
| Surplus/(deficit) from the income and expenditure statement | (17) | 1,124 | 3,582 | - | 4,689 | 108 | 4,797 |
| Revaluation increase/(decrease) | 179 | - | - | - | 179 | - | 179 |
| New endowments | 19 | - | - | - | 19 | - | 19 |
| Transfers between revaluation and income and expenditure reserve | - | - | - | 275 | 275 | - | 275 |
| Release of restricted funds spent in the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | 181 | 1,124 | 3,582 | 275 | 5,162 | 108 | 5,270 |
| Balance as at 1 August 2015 | 5,039 | 7,032 | 20,940 | 9,737 | 42,748 | 108 | 42,856 |
| Surplus/(deficit) from the income and expenditure statement | (38) | - | 2,480 | - | 2,442 | (14) | 2,428 |
| Revaluation increase/(decrease) | 106 | - | - | 689 | 795 | - | 795 |
| New endowments | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | - | - | - | - | - |
| Release of restricted funds spent in the year | - | (78) | - | - | (78) | - | (78) |
| Total comprehensive income for the year | 68 | (78) | 2,480 | 689 | 3,159 | (14) | 3,145 |
| Balance as at 31 July 2016 | 5,107 | 6,954 | 23,420 | 10,426 | 45,907 | 94 | 46,001 |

St George's University of London
Financial Statements for the year ended 31 July 2016

SGUL Statement of Changes in Reserves

| | Income and Expenditure Account | | | Revaluation Reserve | Total excl. Non-Controlling Interest | Non-Controlling Interest | Total |
|--|--------------------------------|--------------------|----------------------|---------------------|--------------------------------------|--------------------------|---------------|
| | Endowment £000 | Restricted £000 | Unrestricted £000 | £000 | £000 | £000 | £000 |
| Balance at 1 August 2014 | 3,438 | 5,908 | 18,373 | 9,462 | 37,181 | - | 37,181 |
| Surplus/(deficit) from the income and expenditure statement | (17) | 1,124 | 4,062 | - | 5,169 | - | 5,169 |
| Revaluation increase | 127 | - | - | - | - | - | 127 |
| New endowments | 19 | - | - | - | 19 | - | 19 |
| Transfers between revaluation and income and expenditure reserve | - | - | - | 275 | 275 | - | 275 |
| Release of restricted funds spent in the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | 129 | 1,124 | 4,062 | 275 | 5,590 | - | 5,590 |
| Balance at 1 August 2015 | 3,567 | 7,032 | 22,435 | 9,737 | 42,771 | - | 42,771 |
| Surplus/(deficit) from the income and expenditure statement | (38) | - | 2,803 | - | 2,765 | - | 2,765 |
| Revaluation increase/(decrease) | 74 | - | - | 522 | 596 | - | 596 |
| New endowments | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | - | - | - | - | - |
| Release of restricted funds spent in the year | - | (78) | - | - | (78) | - | (78) |
| Total comprehensive income for the year | 36 | (78) | 2,803 | 522 | 3,283 | - | 3,283 |
| Balance at 31 July 2016 | 3,603 | 6,954 | 25,238 | 10,259 | 46,054 | - | 46,054 |

St George's University of London
Financial Statements for the year ended 31 July 2016

Consolidated and SGUL Balance Sheet

| | Notes | 2016 | | 2015 | |
|---|-------|----------------------|---------------|----------------------|---------------|
| | | Consolidated £000 | SGUL £000 | Consolidated £000 | SGUL £000 |
| Non-current assets | | | | | |
| Intangible assets | 11 | 3,561 | 3,561 | 3,548 | 3,548 |
| Fixed assets | 12 | 73,118 | 73,118 | 73,541 | 73,541 |
| Investments | 13 | 19,147 | 17,683 | 13,752 | 12,314 |
| Investment in associates | 15 | 94 | - | 108 | - |
| | | <u>95,920</u> | <u>94,362</u> | <u>90,949</u> | <u>89,403</u> |
| Current assets | | | | | |
| Stock | | 3 | 3 | 3 | 3 |
| Trade and other receivables | 16 | 11,587 | 11,271 | 11,451 | 11,391 |
| Cash and cash equivalents | 22 | 13,086 | 12,924 | 18,192 | 18,035 |
| | | <u>24,676</u> | <u>24,198</u> | <u>29,646</u> | <u>29,429</u> |
| Less: Creditors; amounts falling due within one year | 17 | (20,047) | (20,158) | (21,520) | (21,765) |
| | | <u>4,629</u> | <u>4,040</u> | <u>8,126</u> | <u>7,664</u> |
| Net current assets | | | | | |
| | | <u>4,629</u> | <u>4,040</u> | <u>8,126</u> | <u>7,664</u> |
| Total assets less current liabilities | | | | | |
| | | <u>100,549</u> | <u>98,402</u> | <u>99,075</u> | <u>97,067</u> |
| Creditors: amounts falling due after more than one year | 18 | (47,337) | (47,337) | (49,911) | (49,911) |
| Investment in joint venture | 14 | (2,200) | - | (1,923) | - |
| Provisions | | | | | |
| Pension provision | 19 | (5,011) | (5,011) | (4,385) | (4,385) |
| Total net assets | | <u>46,001</u> | <u>46,054</u> | <u>42,856</u> | <u>42,771</u> |
| Restricted reserves | | | | | |
| Income and expenditure reserve - endowment reserve | 20 | 5,107 | 3,603 | 5,039 | 3,567 |
| Income and expenditure reserve - restricted reserve | 21 | 6,954 | 6,954 | 7,032 | 7,032 |
| | | <u>12,061</u> | <u>10,557</u> | <u>12,071</u> | <u>10,599</u> |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve – unrestricted reserve | | 23,420 | 25,238 | 20,940 | 22,435 |
| Revaluation reserve | | 10,426 | 10,259 | 9,737 | 9,737 |
| | | <u>33,846</u> | <u>35,497</u> | <u>30,677</u> | <u>32,172</u> |
| Non-controlling interest | | 94 | - | 108 | - |
| Total reserves | | <u>46,001</u> | <u>46,054</u> | <u>42,856</u> | <u>42,771</u> |

The Financial Statements were approved by Council on 22 November 2016 and were signed on its behalf on that date by:

Michael Draper
Vice Chair of Council

Professor Jenny Higham
Principal

Anthony Bicknell
Treasurer

St George's University of London
Financial Statements for the year ended 31 July 2016

Consolidated Cash Flow

| | Notes | 2016 £'000 | 2015 £'000 |
|---|-------|----------------|----------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 2,480 | 3,690 |
| Adjustment for non-cash items | | | |
| Depreciation | 12 | 5,307 | 5,560 |
| Amortisation of intangibles | 11 | 445 | 345 |
| Loss/(gain) on investments | 13 | 268 | (157) |
| Decrease in stock | | - | 1 |
| Increase in debtors | 16 | (135) | (805) |
| Increase/(decrease) in creditors | 17 | (1,494) | 1,595 |
| Increase in pension provision | 19 | 626 | 1,674 |
| (Decrease)/increase in restricted reserves | 21 | (78) | 181 |
| Share of operating deficit in joint venture | 14 | 275 | 532 |
| Share of operating (surplus)/deficit in associate | 15 | 14 | (108) |
| Other non-cash items | | (99) | (22) |
| Adjustment for investing or financing activities | | | |
| Investment income | 5 | (287) | (252) |
| Interest payable | 8 | 1,178 | 1,226 |
| Endowment income | 5 | (90) | (65) |
| Capital grant income | | (2,584) | (2,730) |
| Net cash inflow from operating activities | | 5,826 | 10,665 |
| Cash flows from investing activities | | | |
| Capital grants receipts | | 1,639 | 1,337 |
| Investment and endowment income | 5 | 377 | 317 |
| Payments made to acquire fixed assets | 12 | (4,643) | (2,671) |
| Payments made to acquire intangible assets | 11 | (708) | (972) |
| New non-current asset investments | 13 | (5,033) | (194) |
| | | (8,368) | (2,183) |
| Cash flows from financing activities | | | |
| Interest paid | 8 | (1,178) | (1,226) |
| New unsecured loans | | 255 | - |
| Repayments of amounts borrowed | 17 | (1,641) | (1,623) |
| | | (2,564) | (2,849) |
| (Decrease)/increase in cash and cash equivalents in the year | | (5,106) | 5,633 |
| Cash and cash equivalents at beginning of the year | | 18,192 | 12,559 |
| Cash and cash equivalents at end of the year | 22 | 13,086 | 18,192 |

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| 1 Tuition fee and education contracts | 2016 | 2015 |
|--|---------------|---------------|
| | £000 | £000 |
| Full-time students charged home fees | 15,404 | 14,176 |
| Full-time students charged overseas fees | 2,240 | 2,357 |
| Part-time fees | 110 | 71 |
| Non-medical education and training funded by the NHS | 10,886 | 11,989 |
| Short course fees | 153 | 119 |
| | 28,793 | 28,712 |

| 2 Funding body grants | 2016 | 2015 |
|---|---------------|---------------|
| | £000 | £000 |
| Recurrent grant | | |
| Higher Education Funding Council for England | 16,029 | 17,495 |
| Specific grants | | |
| Higher Education Innovation Fund | 467 | 935 |
| National Scholarship Programme | - | 70 |
| Deferred Capital Grants released in the year: | | |
| Buildings | 2,256 | 2,542 |
| Equipment | 39 | 12 |
| | 18,791 | 21,054 |

| 3 Research grants and contracts | 2016 | 2015 |
|---|---------------|---------------|
| | £000 | £000 |
| Research Councils UK | 2,180 | 2,065 |
| National Institute for Health Research | 1,415 | 1,393 |
| UK government grants – other | 583 | 1,116 |
| European Commission | 1,735 | 2,069 |
| Charitable bodies | 3,917 | 3,480 |
| Industry and commerce | 642 | 721 |
| Other | 1,074 | 803 |
| Research and development expenditure credit | 1,295 | - |
| | 12,841 | 11,647 |

| 4 Other income | 2016 | 2015 |
|--|---------------|---------------|
| | £000 | £000 |
| Residences, catering and conferences | 3,146 | 3,192 |
| Other services rendered | 13,235 | 12,447 |
| Other income | 8,051 | 7,168 |
| Deferred capital grants released in the year | 205 | 176 |
| | 24,637 | 22,983 |

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| 5 Investment income | Consolidated | | SGUL | |
|---------------------------------|---------------------|-------------|-------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Investment income on endowments | 90 | 65 | 63 | 82 |
| Other investment income | 287 | 252 | 287 | 142 |
| | <u>377</u> | <u>317</u> | <u>350</u> | <u>224</u> |

| 6 Donations and endowments | 2016 | 2015 |
|-----------------------------------|-------------|-------------|
| | £000 | £000 |
| New endowments | - | 19 |
| Restricted donations | 28 | - |
| Unrestricted donations | 5 | 18 |
| | <u>33</u> | <u>37</u> |

| 7 Staff costs | 2016 | 2015 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Salaries | 38,971 | 39,186 |
| Social security costs | 3,339 | 3,211 |
| Movement on pension deficit provision | 626 | 1,594 |
| Other pension costs | 4,974 | 4,911 |
| | <u>47,910</u> | <u>48,902</u> |

| Emoluments of the Principal | 2016 | 2015 |
|--|-------------|-------------|
| | £000 | £000 |
| Professor Peter Kopelman (until 31 October 2015) | | |
| Salary | 46 | 182 |
| Clinical excellence award | 19 | 76 |
| Pension contributions | - | - |
| | <u>65</u> | <u>258</u> |

| | | |
|---|------------|----------|
| Professor Jenny Higham (from 1 November 2015) | | |
| Salary | 141 | - |
| Clinical excellence award | 35 | - |
| Pension contributions | 17 | - |
| | <u>193</u> | <u>-</u> |

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| Remuneration of other higher paid staff, excluding pension contribution, before salary sacrifice. | 2016 | 2015 |
|---|-------------|-------------|
| | No. | No. |
| £100,000 to £109,999 | 5 | 6 |
| £110,000 to £119,999 | 6 | 3 |
| £120,000 to £129,999 | 5 | 6 |
| £130,000 to £139,999 | 4 | 3 |
| £140,000 to £149,999 | 7 | 6 |
| £150,000 to £159,999 | 5 | 6 |
| £160,000 to £169,999 | - | 5 |
| £170,000 to £179,999 | 9 | 2 |
| £180,000 to £189,999 | 1 | - |
| £190,000 to £199,999 | - | 1 |
| £200,000 to £209,999 | 1 | - |
| £210,000 to £219,999 | - | 1 |
| £250,000 to £259,999 | - | 1 |
| | 43 | 40 |

| Average staff numbers by major category: | 2016 | 2015 |
|--|-------------|-------------|
| | No. | No. |
| Academic | 284 | 261 |
| Research | 116 | 144 |
| Management and specialist | 9 | 12 |
| Technical | 55 | 52 |
| Other | 301 | 283 |
| | 765 | 752 |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of SGUL. Staff costs includes compensation paid to key management personnel.

| | 2016 | 2015 |
|---------------------------------------|-------------|-------------|
| | £000 | £000 |
| Key management personnel compensation | 1,463 | 1,565 |

Compensation consists of salary and benefits including any employer's pension contribution.

Council members

SGUL's council members are the trustees for charitable law purposes. Due to the nature of SGUL's operations and the composition of Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, including those identified below, are conducted at arms' length and in accordance with SGUL's Financial Regulations and usual procurement procedures.

No council member has received any remuneration/waived payments from SGUL during the year. The total expenses paid to or on behalf of council members was £14,198. This represents travel and subsistence expenses incurred in attending Council and other events in their official capacity and the costs associated with the meetings.

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| 8 Interest and other finance costs | 2016 | 2015 |
|---|--------------|--------------|
| | £000 | £000 |
| Loan interest | 1,178 | 1,226 |
| Net charge on pension schemes | 75 | 80 |
| | 1,253 | 1,306 |

| 9 Other operating expenses by activity | Consolidated | | SGUL | |
|---|---------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Academic and related expenditure | 7,846 | 7,083 | 7,846 | 7,083 |
| Research grants and contracts | 3,818 | 4,072 | 3,818 | 4,072 |
| Premises | 7,135 | 6,671 | 7,135 | 6,671 |
| Residences, catering and conferences | 1,096 | 1,015 | 1,096 | 1,015 |
| Other operating expenses | 7,331 | 5,839 | 7,291 | 5,819 |
| | 27,226 | 24,680 | 27,186 | 24,660 |

| | 2016 | 2015 |
|--|--------------|--------------|
| | £000 | £000 |
| Other operating expenses include: | | |
| Internal auditor remuneration | 76 | 52 |
| External auditor remuneration in respect of audit services | 86 | 75 |
| External auditor remuneration in respect of subsidiaries | 5 | 8 |
| External auditor remuneration in respect of non-audit services | 47 | 60 |
| Operating lease rentals | 144 | 145 |
| Grants to Student Union | 229 | 228 |
| Redundancy and voluntary severance costs | 189 | 410 |
| Other | 6,555 | 4,861 |
| | 7,331 | 5,839 |

| 10 Taxation | 2016 | 2015 |
|---|-------------|-------------|
| | £000 | £000 |
| Adjustment in respect of research and development expenditure credit (see note 3) | 294 | - |
| | 294 | - |

| 11 Intangible assets | 2016 |
|----------------------------------|--------------|
| | £000 |
| Software | |
| As at 1 August 2015 | 3,548 |
| Additions in the year | 708 |
| Transfers | (250) |
| Amortisation charge for the year | (445) |
| As at 31 July 2016 | 3,561 |

The additions in the year relate to the purchase of computer software, including that under development.

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

12 Tangible Fixed Assets

| | Freehold Land | Freehold Building | Leasehold Building | Fixtures, Fittings & Equipment | Assets in the course of construction | Total |
|---------------------------|--------------------------|------------------------------|-------------------------------|---|---|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | |
| As at 1 August 2015 | 10,330 | 26,595 | 83,639 | 11,140 | 429 | 132,133 |
| Additions | - | 88 | 666 | 179 | 3,710 | 4,63 |
| Transfers | - | - | 475 | (533) | (429) | (487) |
| As at 31 July 2016 | 10,330 | 26,683 | 84,779 | 10,786 | 3,710 | 136,288 |
| Depreciation | | | | | | |
| As at 1 August 2015 | - | 3,446 | 44,856 | 10,290 | - | 58,592 |
| Charge for the year | - | 576 | 4,451 | 280 | - | 5,307 |
| Transfers | - | - | - | (729) | - | (729) |
| As at 31 July 2016 | - | 4,022 | 49,307 | 9,841 | - | 63,170 |
| Net book value | | | | | | |
| As at 31 July 2016 | 10,330 | 22,661 | 35,472 | 945 | 3,710 | 73,118 |
| As at 31 July 2015 | 10,330 | 23,149 | 38,783 | 850 | 429 | 73,541 |

A full valuation of SGUL's halls of residence was carried out as at 31 July 2014 by Gerald Eve.

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

13 Non-current investments

| Consolidated | Other fixed asset investments £000 | Subsidiary companies £000 | Total £000 |
|---------------------------|---|--|-----------------------|
| As at 1 August 2015 | 13,742 | 10 | 13,752 |
| Additions | 5,033 | - | 5,033 |
| Expenditure for the year | (38) | - | (38) |
| Realised loss | (268) | - | (268) |
| Unrealised gain | 668 | - | 668 |
| As at 31 July 2016 | 19,137 | 10 | 19,147 |

| SGUL | Other fixed asset investments £000 | Subsidiary companies £000 | Total £000 |
|---------------------------|---|--|-----------------------|
| As at 1 August 2015 | 12,314 | - | 12,314 |
| Additions | 5,039 | - | 5,039 |
| Expenditure for the year | (38) | - | (38) |
| Realised loss | (247) | - | (247) |
| Unrealised gain | 615 | - | 615 |
| As at 31 July 2016 | 17,683 | - | 17,683 |

The non-current investments have been valued at market value.

St George's University of London

Financial Statements for the year ended 31 July 2016

Notes to the Accounts

14 Investment in joint venture

SGUL holds a 50% share of INTO St George's Medical School LLP, a limited liability partnership. The interest is held on SGUL's behalf by its wholly owned subsidiary, St George's Global Partners Ltd.

The arrangement is treated as a joint venture and is accounted for using the equity method, such that 50% of the limited liability partnership's gross assets and liabilities are incorporated into the consolidated Balance Sheet of SGUL and 50% of its net income is reported in SGUL's Consolidated Statement of Comprehensive Income and Expenditure.

| | 2016 | | 2015 | |
|--|---------|----------------|---------|----------------|
| Income and expenditure account | £000 | £000 | £000 | £000 |
| Income | | 3,145 | | 1,893 |
| Deficit before tax | | (275) | | (532) |
| Balance Sheet | | | | |
| Fixed assets | 138 | | 151 | |
| Current assets | 615 | | 851 | |
| | | 753 | | 1,002 |
| Creditors: amounts due within one year | (2,063) | | (1,735) | |
| Creditors: amounts due in more than one year | (890) | | (1,190) | |
| | | (2,953) | | (2,925) |
| Share of net liabilities | | (2,200) | | (1,923) |

15 investment in associates

SGUL holds a 40% share in Tika Diagnostics Limited and a 35% share in BUGS Bioscience Limited via St George's Enterprises Limited.

- Tika Diagnostics Limited develops supplements to accelerate the growth of tuberculosis in cultures.
- BUGS Bioscience Limited delivers a global platform for molecular surveillance of infectious diseases.

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| 16 Trade and other receivables | Consolidated | | SGUL | |
|--|---------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Research grants receivables | 2,725 | 1,696 | 2,725 | 1,696 |
| Trade receivables | 3,983 | 3,737 | 3,665 | 3,737 |
| St George's University Hospital NHS Foundation Trust | 2,016 | 1,995 | 2,016 | 1,995 |
| Prepayments and accrued income | 1,198 | 1,446 | 1,198 | 1,446 |
| Other receivables | 1,436 | 2,001 | 1,436 | 1,925 |
| Amounts due from subsidiary companies | - | - | 2 | 16 |
| Bad debt provision | (661) | (314) | (661) | (314) |
| | 10,697 | 10,561 | 10,381 | 10,501 |
| Amounts falling due in more than one year: | | | | |
| Loan to INTO St George's LLP | 890 | 890 | 890 | 890 |
| | 11,587 | 11,451 | 11,271 | 11,391 |

| 17 Creditors: amounts falling due within one year | Consolidated | | SGUL | |
|--|---------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Secured loans | 1,230 | 1,209 | 1,230 | 1,209 |
| Trade payables | 3,279 | 5,187 | 3,279 | 5,187 |
| Other payables | 10,101 | 2,308 | 10,040 | 2,337 |
| St George's University Hospital NHS Foundation Trust | 438 | 619 | 438 | 619 |
| Accruals and deferred income | 4,999 | 12,197 | 4,999 | 12,197 |
| Amounts due to subsidiary companies | - | - | 172 | 216 |
| | 20,047 | 21,520 | 20,158 | 21,765 |

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

| | 2016 | 2015 |
|-----------------------|-------------|-------------|
| | £000 | £000 |
| SIFT Income | 427 | - |
| Other deferred income | 520 | 456 |
| | 947 | 456 |

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

18 Creditors: amounts falling due after more than one year

| | 2016 | 2015 |
|----------------------------------|---------------|---------------|
| | £000 | £000 |
| Deferred capital grants | 24,091 | 25,258 |
| Secured loans | 23,246 | 24,221 |
| HEFCE Strategic Development Fund | - | 432 |
| | 47,337 | 49,911 |

Analysis of secured loans

| | | |
|----------------------------------|---------------|---------------|
| Due within one year or on demand | 1,230 | 1,208 |
| Due between one and two years | 1,252 | 1,230 |
| Due between two and five years | 3,882 | 3,816 |
| Due in five years or more | 18,112 | 19,175 |
| | 24,476 | 25,429 |

Included in loans are the following

| | Amount | Term | Interest rate |
|-------------------|---------------|-------------|----------------------|
| | £000 | | % |
| Barclays Bank plc | 13,496 | 28 years | 5.08 |
| Santander UK plc | 9,750 | 10 years | 4.15 |
| | 23,246 | | |

19 Provisions for liabilities

| | Obligation to fund deficit on USS pension £000 | Obligation to fund deficit on SAUL pension £000 | Total pensions provisions £000 |
|---------------------------|---|--|---------------------------------------|
| As at 1 August 2015 | (4,385) | - | (4,385) |
| Additions | (409) | (217) | (626) |
| As at 31 July 2016 | (4,794) | (217) | (5,011) |

USS and SAUL deficits

The obligations to fund the past deficits on the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL) arise from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance.

Management have assessed the numbers of future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

20 Endowment Reserves

Restricted net assets relating to the endowments are as follows:

| | Permanent restricted £000 | Consolidated Permanent expendable £000 | Total £000 | Permanent restricted £000 | SGUL Permanent expendable £000 | Total £000 |
|--|--|---|-----------------------|--|---|-----------------------|
| As at 1 August 2015 | | | | | | |
| Capital | 2,468 | 3,301 | 5,769 | 1,043 | 3,301 | 4,344 |
| Accumulated income | 180 | (910) | (730) | 133 | (910) | (777) |
| | 2,648 | 2,391 | 5,039 | 1,176 | 2,391 | 3,567 |
| Investment income | 47 | 44 | 91 | 20 | 44 | 64 |
| Expenditure | (34) | (95) | (129) | (7) | (95) | (102) |
| Increase in market value of investments | 49 | 57 | 106 | 17 | 57 | 74 |
| Total endowment income for the year | 62 | 6 | 68 | 30 | 6 | 36 |
| As at 31 July 2016 | 2,710 | 2,397 | 5,107 | 1,206 | 2,397 | 3,603 |
| Represented by: | | | | | | |
| Capital | 2,517 | 3,358 | 5,875 | 1,060 | 3,358 | 4,418 |
| Accumulated income/(excess expenditure) | 193 | (961) | (768) | 146 | (961) | (815) |
| | 2,710 | 2,397 | 5,107 | 1,206 | 2,397 | 3,603 |

St George's University of London
Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| | Consolidated | SGUL |
|------------------------------------|---------------------|--------------|
| | £000 | £000 |
| Analysis by type or purpose | | |
| Lectureships | 1,504 | - |
| Scholarships and bursaries | 1,691 | 1,691 |
| Research support | 895 | 895 |
| Prize funds | 925 | 925 |
| General | 92 | 92 |
| | 5,107 | 3,603 |
| Analysis by asset | | |
| UK equities | 3,005 | 2,363 |
| International equities | 347 | - |
| Multi-asset funds | 256 | 180 |
| Hedge funds | 455 | 321 |
| Property | 724 | 510 |
| Others | 138 | 97 |
| Cash | 182 | 132 |
| | 5,107 | 3,603 |

| 21 Restricted reserves | 2016 | | 2015 | |
|--|---|---------------------------|-----------------------|-----------------------|
| | Unspent research grants £000 | Donations £000 | Total £000 | Total £000 |
| As at 1 August 2015 | 7,032 | - | 7,032 | 5,908 |
| New grants | 11,196 | - | 11,196 | 12,771 |
| New donations | | 210 | 210 | - |
| Expenditure | (11,456) | (28) | (11,484) | (11,647) |
| Total endowment income/(excessive expenditure) for the year | (260) | 182 | (78) | 1,124 |
| As at 31 July 2016 | 6,772 | 182 | 6,954 | 7,032 |

| 22 Cash and cash equivalents | As at 1 August 2015 £000 | Cash flows £000 | As at 31 July 2016 £000 |
|-------------------------------------|---|--------------------------------|--|
| Cash and cash equivalents | 18,192 | (5,106) | 13,086 |

St George's University of London

Financial Statements for the year ended 31 July 2016

Notes to the Accounts

| 23 Capital and other commitments | 2016 | 2015 |
|---|--------------|--------------|
| | £000 | £000 |
| Commitments approved but not contracted for | 4,160 | 2,862 |
| Commitments contracted for | 1,194 | 742 |
| | 5,354 | 3,604 |

| 24 Operating leases | 2016 | 2015 |
|--|-------------|-------------|
| | £000 | £000 |
| Total rentals payable under operating leases | | |
| Payable during the year | 146 | 146 |
| Future minimum lease payments due | | |
| No later than one year | 75 | 146 |
| Later than one year and no later than five years | 300 | - |
| Total lease payments due | 375 | 146 |

25 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by SGUL, are as follows:

| Company | Principal Activity | Ownership |
|---------------------------------|--|------------------|
| St George's Enterprises Ltd | Provides consultancy services to the medical sector on behalf of SGUL and holds investments in two spin out companies. SGUL directly holds 2 ordinary shares of £1 | 100% owned |
| St George's Global Partners Ltd | Holds SGUL's 50% interest in INTO St George's Hospital Medical School LLP, a joint venture with International University Partnerships Ltd. SGUL directly holds 1 ordinary share of £1 | 100% owned |
| St George's Estates Ltd | Non-trading SGUL directly holds 2 ordinary shares of £1 | 100% owned |

26 Related Party Transactions

SGUL enjoys close relationship with Kingston University, St George's University Hospitals NHS Foundation Trust (St George's NHS Trust) and similar health providers and purchaser organisations that actively support medical education. Kingston University and St George's NHS Trust are represented on SGUL's Council. Income from these organisations is included within Other Operating Income – services rendered (Note 4) and the balance owed by St George's NHS Trust, being the most material, is set out in Note 20 and amounts due to St George's NHS Trust in Note 21.

The Faculty of Health, Social Care and Education provides education for nursing, midwifery and other allied health professions. The Dean of the Faculty is a member of the Strategy Planning and Resources Committee. Under the terms of the Joint Arrangement Agreement, the assets, liabilities, income and expenditure of the Faculty are divided equally between SGUL and Kingston University. SGUL's share of the gross income from the contract is recorded Tuition fees and education contracts in Note 1, and expenses are included under the appropriate expenditure headings.

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

Transactions with Council Members are 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. There were no significant transactions with any of these entities.

27 Pension Schemes

SGUL participates directly in three pension schemes for its employees – the Universities Superannuation Scheme (USS), the Superannuation Arrangements of University of London (SAUL), the National Health Service Superannuation Scheme (NHSSS) and, indirectly, in the Royal Borough of Kingston upon Thames' Teachers Pension scheme (TPS) and Local Government Pension Scheme (LGPS) through its joint activity with Kingston University.

| SGUL's total pensions costs were: | 2016 | 2015 |
|-----------------------------------|--------------|--------------|
| | £000 | £000 |
| USS | 2,726 | 2,736 |
| SAUL | 554 | 544 |
| NHSSS | 1,053 | 1,068 |
| TPS | 440 | 387 |
| LGPS | 201 | 176 |
| | 4,974 | 4,911 |

Universities Superannuation Scheme (USS)

The total cost charged to the income and expenditure account is £2.6m (2015: £2.7m).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since SGUL cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

| | 2016 | 2015 |
|---------------------------|------|--|
| Discount rate | 3.6% | 3.3% |
| Pensionable salary growth | n/a | 3.5% in the first year and 4.0% thereafter |
| Pension increases (CPI) | 2.2% | 2.2% |

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The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

| | |
|---------------------------|--|
| Male members' mortality | 98% of S1NA ["light"] YoB tables – No age rating |
| Female members' mortality | 99% of S1NA ["light"] YoB tables – rated down 1 year |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2016 | 2015 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.3 | 24.2 |
| Females currently aged 65 (years) | 26.5 | 26.4 |
| Males currently aged 45 (years) | 26.4 | 26.3 |
| Females currently aged 45 (years) | 28.8 | 28.7 |

| | 2016 | 2015 |
|------------------------------|------|------|
| | £bn | £bn |
| Scheme assets | 49.8 | 49.1 |
| Total scheme liabilities | 58.3 | 60.2 |
| FRS 102 total scheme deficit | 8.5 | 11.1 |
| FRS 102 total funding level | 85% | 82% |

Superannuation Arrangements of the University of London (SAUL)

The total cost charged to the income and expenditure account is £0.5m (2015: £0.5m).

The Superannuation Arrangements of the University of London (SAUL) is a centralised defined benefit scheme within the United Kingdom and is contracted-out of the Second State Pension (prior to April 2016). It is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final Salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all Members will build up benefits on a CARE basis from 1 April 2016. SGUL is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The trustee and employers have agreed that the technical provisions deficit at the 31 March 2014 valuation will be addressed by increased employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the employers' contribution increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.

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National Health Service Superannuation Scheme (NHSSS)

The total cost charged to the income and expenditure account is £1.1m (2015: £1.1m). The contribution rate payable by SGUL was 14.3% of employee salaries.

The NHSSS is an unfunded defined benefit scheme, funded centrally by the Treasury on a current cost basis and available to staff who immediately prior to appointment at SGUL were members of the scheme. As the NHSSS is a multi-employer scheme consequently it is unlikely that it will be possible to identify SGUL's share of the assets and liabilities and is therefore accounted for on a contributions basis.

Surpluses or deficits which arise at future valuations may impact on SGUL's future contribution commitment. A formal valuation of the scheme last took place on 31 March 2012. 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 schemes, comprising the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), providing benefits based on final pensionable pay

The TPS is a national, statutory, unfunded, defined benefit scheme and it is not possible to identify SGUL's share of the underlying assets and liabilities

The last valuation of the scheme as at 31 March 2012 revealed that the scheme was in deficit. The employer's contribution rate is 14.1% of employee salaries.

LGPS currently also has a deficit and whilst it is not possible to consistently and reasonably identify SGUL's share of this deficit, there is a potential liability in future years if the deficit continues. The last actuarial valuation was carried out by Hymans Robertson LLP Limited in July 2014.

The employer's contribution rate is 26.2% of employee salaries.

28 Accounting estimates and judgements

SGUL has made the following key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year such as:

Pension

The principal assumptions relate to mortality and the rate of inflation and the discount rate. The discount rates used have been based on guidance issued by Mercers to BUFDG and are based on corporate bond spot rates derived from actual yields as at 31 July 2016.

Provision for bad debt

The bad debt provision is based on an estimation of how likely SGUL views the debt is to be recoverable.

Provision for HEFCE clawback

An estimate has been made on the number of non-completing students which may result in a clawback of HEFCE income.

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29 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are SGUL's first consolidated Financial Statements prepared in accordance with FRS 102 and the SORP.

The accounting policies set out in Note 1 have been applied in preparing the Financial Statements for the year ended 31 July 2016, the comparative information presented in these Financial Statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, SGUL has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected SGUL's financial position, financial performance and cash flows is set out below.

Restated statement of financial position

| | Consolidated | | SGUL | |
|---------------------------------------|---------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £000 | £000 | £000 | £000 |
| Total reserves under 2007 SORP | 58,275 | 53,951 | 52,299 | 53,549 |
| Adjustments on transition to FRS 102: | | | | |
| Defined benefit pension scheme (a) | (4,386) | (2,712) | (4,386) | (2,712) |
| Land revaluation (b) | 9,241 | 9,241 | 9,241 | 9,241 |
| Holiday pay accrual (c) | (857) | (851) | (857) | (851) |
| Research grants (d) | 6,732 | 5,908 | 6,732 | 5,908 |
| Deferred capital grants (e) | (26,257) | (27,950) | (26,257) | (27,950) |
| Minority interest (f) | 108 | - | - | - |
| Total effect of transition to FRS 102 | (15,419) | (16,364) | (15,527) | (16,364) |
| Total reserves under 2015 SORP | 42,856 | 37,587 | 42,772 | 37,185 |

Financial Performance

| | 2015 | |
|--|---------------------|--------------|
| | Consolidated | SGUL |
| | £000 | £000 |
| Surplus for the year under 2007 SORP | 5,262 | 5,742 |
| Adjustments to the I&E on transition to FRS 102: | | |
| Defined benefit pension scheme (g) | (1,674) | (1,674) |
| Holiday pay accrual (h) | (6) | (6) |
| Equity accounting for associates (f) | 108 | - |
| Total effect of transition to FRS 102 | (1,572) | (1,680) |
| Total comprehensive income for the year under 2015 SORP | 3,690 | 4,062 |

- a) The adjustment at 1 August 2014 and 31 July 2015 is the recognition of the 2012 and 2015 Universities Superannuation Scheme minimum funding obligations.
- b) An election was made on transition to revalue the land element of the freehold property to deemed cost.
- c) A holiday pay accrual was included to reflect outstanding holiday due to teaching and non-teaching staff

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- d) An adjustment was made moving restricted research grants to restricted reserves.
- e) The adjustment relates to the reclassification of deferred capital grants from reserves to current liabilities.
- f) Inclusion of investments in associate undertakings using the equity accounting
- g) The adjustment is the recognition of the Universities Superannuation Scheme 2015 minimum funding obligation and movements in relation to the assumptions on the 2012 scheme.
- h) The adjustment reflects the movement in the holiday pay accrual for 2015.

Cash flow

There was no impact on the cash flows of either SGUL or the Group as a result of the transition to FRS 102.

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Advisors

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors

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

Internal Auditors

Deloitte LLP
Internal Audit Limited
3 Victoria Square
Victoria Street
St Albans
Hertfordshire AL1 3TF

External Auditors

KPMG LLP
15 Canada Square
London E14 5GL

Investment Managers

Cazenove Fund Management Limited
12 Moorgate
London EC2R 6DA