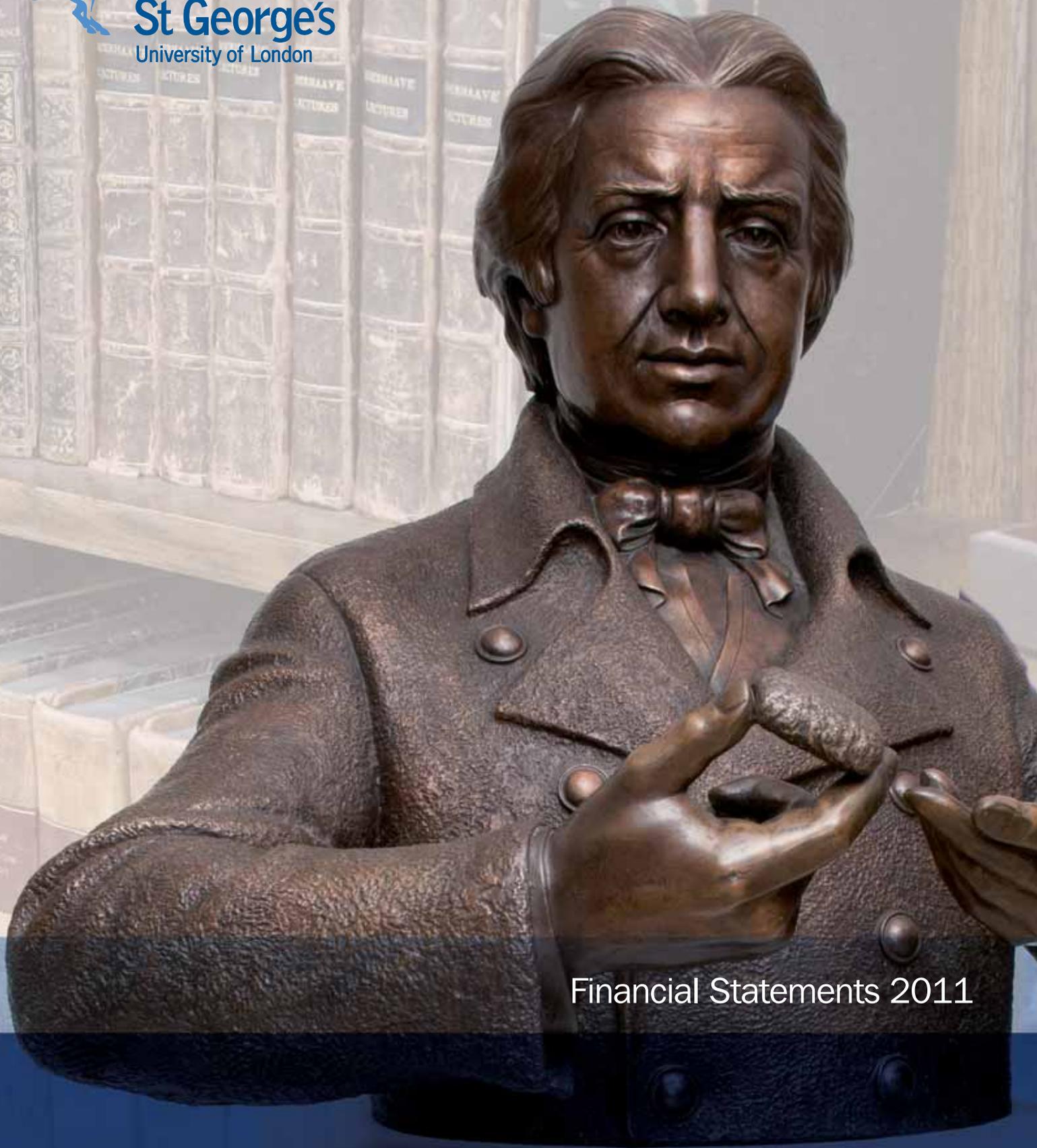




St George's
University of London



Financial Statements 2011



St George's alumnus Dr Edward Jenner

is credited with saving millions of lives globally after discovering the relatively harmless cowpox gave complete protection against smallpox. In 1796 he injected a young boy called James with cowpox and showed that the boy was subsequently immune to smallpox. So successful was Jenner's discovery that in 1840 the government banned any treatment for smallpox other than Jenner's. By 1980 vaccination had wiped out a devastating disease.

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Council membership 2010/11

From 1 August 2010 to 31 July 2011 (up to and including 22 November 2011)

Anthony Bicknell	
James Cochrane	Resigned 30 April 2011
Mrs Naaz Coker	Resigned 30 September 2011
Michael Draper	
Ms Judith Evans	
David Greggains	End of term of office – 30 September 2010
Baroness Elaine Murphy	End of term of office – 30 September 2010
Ms Isabel Nisbet	Resigned 31 July 2011
Chris North	With effect from 1 October 2011
Professor Sir Peter Scott	Retired 31 December 2010
Professor Richard Smith	
Graham Turner	
Professor Peter Rigby	End of term of office – 30 September 2010
Michael Stevens	
Ms Catherine Swarbrick	With effect from 1 October 2011
Mrs Susan Thomas	
Professor Julius Weinberg	With effect from 1 January 2011
Ms Cathy Wilson	With effect from 1 October 2011
Professor Sir Nicholas Wright	

Ex officio members

Professor Nigel Brown	
Professor Peter Kopelman	
Professor George Griffin	End of term of office – 30 September 2010
Professor Sean Hilton	
Professor Patricia Hughes	
Dr Andy Kent	

Elected by academic staff

Professor Alan Johnstone

Elected by support staff

Mrs Jill Edwards	End of term of office – 30 September 2010
Kenton Lewis	With effect from 1 October 2010

Elected by students

Jack Sugrue	End of term of office – 30 September 2010
David Rawaf	End of term of office – 30 September 2011
Luke Turner	With effect from 1 October 2010
Nana Adu	With effect from 1 October 2011

Staff in attendance

Mark Bery	
Mrs Sophie Bowen	
Mrs Mary Luckiram	Resigned 22 July 2011
Ms Susan Trubshaw	

Operating and financial review

Nature of the organisation

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

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

St George's provides a wide range of high quality undergraduate and postgraduate healthcare, medical and biomedical programmes to students. Taught degrees are offered in healthcare sciences (diagnostic or therapeutic radiography, and physiotherapy), biomedical science and a four and five-year MBBS in medicine. Paramedic Sciences, nursing and social work are offered through the Joint Faculty of Health and Social Care Sciences, which is jointly managed with Kingston University.

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

Vision

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

- Growing its excellent reputation for education and learning by providing its students with an exceptional experience within an interdisciplinary environment;
 - Pursuing the attainment of excellence in a focused scientific, clinical and educational research portfolio;
 - Promoting the sharing of knowledge, expertise and opportunities with local, regional, national and international communities.
- Building and sustaining collaborative partnerships with universities, the NHS and other relevant organisations within and without London;
 - Developing and maintaining organisational processes and infrastructure to support St George's existing endeavours and to enable the development of new, rewarding opportunities;
 - Attracting, retaining and nurturing the most talented staff.

Public benefit statement

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

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

St George's is an internationally recognised specialist college of the University of London which provides an education, to some 3,738 undergraduate and postgraduate students, within an interdisciplinary environment. This education develops students academically and advances their interpersonal and leadership skills, thus preparing them to play full and effective roles within the healthcare field.

In particular, St George's provides:

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

It advances research through:

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

Operating and financial review

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

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

St George's admits as students those who have the potential for benefiting from the healthcare education that the medical school and its collaborative partners provide. There are no ethnic, religious, geographic, socio-political or economic barriers and students, researchers and academics are drawn from the UK and overseas.

- The focus of St George's is to maintain its excellent reputation in a focused scientific, clinical and educational teaching and research portfolio; and, to this aim, it strives to attract, retain and nurture the most talented students and staff.
- To raise educational aspirations and attract outstanding applicants who might not consider a healthcare career, or applying to the medical school, St George's operates an extensive outreach programme. This programme consists of educational school visits, open days, admissions symposia for teachers as well as guidance and information on the University website for prospective applicants.

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

In order to fulfil its charitable purposes of advancing education, learning and research, St George's employs both clinical and non-clinical staff. All salaries, stipends and employment related benefits are objectively reasonable, measured against academic stipends generally; moreover annual pay increases normally

follow national settlements applying to the university sector. External members of Council receive no remuneration for their services and any payments to them are for the reimbursement of reasonable expenses only in the performance of their duties.

Finance review and results for the year

As anticipated, 2010/11 was a challenging year for St George's. Research grant income, much of it from charities supporting medical research, fell by almost £3 million; the UK recession having reduced the income of awarding bodies together with changes in personnel in St George's research community. In addition, income from services rendered (mainly to the NHS) fell by £2 million. Responding to the economic climate St George's initiated a number of cost saving measures. Cutting costs by well over £5 million the University improved its surplus from break even in 2009/10 to over £0.3 million in 2010/11.

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

Income

	2010/11 £m	2009/10 £m
Funding council grants (HEFCE)	31.2	31.3
Academic fees and support grants	17.5	17.4
Research grants and contracts	17.0	19.7
Endowments and investment income	0.3	0.3
Other operating income	19.3	21.6
Total	85.3	90.3

Expenditure

	2010/11 £m	2009/10 £m
Staff costs	51.4	54.0
Depreciation	5.6	4.8
Interest and other financial costs	0.8	0.8
Other operating expenses	27.2	30.6
Total	85.0	90.2
Surplus	0.3	0.1

Operating and financial review

St George's continues to hold a strong cash position while making use of borrowing facilities where appropriate for investment in income generating assets including halls of residence and new facilities. Cash balances are held in Sterling, US dollars and Euros. At an operating level, the year's activities were cash neutral but working capital movements used up over £2million of cash, reducing balances from £10.6m to £8.2m by the year end. The University has substantial borrowing facilities in place – sufficient to make the investment needed in new halls of residence and teaching facilities over the next two years.

International activities

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

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

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

Major Institutional Initiatives

Two major international initiatives have been advanced during the 2010/11 academic year:

1. MBBS franchise to the University of Nicosia, Cyprus

St George's has franchised its 4 year Graduate Entry Programme to the University of Nicosia (UNic) which has established a new medical school. The first two years of the programme will be delivered at a purpose built campus in UNic, with the clinical third and fourth years being delivered by partners, initially within Israel, approved by St George's within course validation procedures.

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

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

The programme was successfully validated in June 2011, started in September 2011 with a cohort of approximately 30 students. The programme will be considered for accreditation by the General Medical Council during 2011/12.

2. Joint Venture with INTO

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

Programmes offered by INTO SGUL include:

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

Operating and financial review

South West London Academic Health & Social Care System

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

Risks and uncertainties

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

The main risk areas identified during 2010/11 were:

- Impact of funding changes from DBIS and HEFCE,
- Implementation of the recommendations of the Medicines and Healthcare products Regulatory Agency (MHRA) report,
- Compliance issues in relation to Health and Safety,
- Failure to achieve fEC on research,
- Meeting maintenance requirements,
- Supply of IT systems to support St George's,
- Timely management information,
- Risks associated with the key income stream, such as RAE, student recruitment,
- Budgetary control and the ability to control costs, particularly in light of the general economic downturn,
- Risk associated with international initiatives in relation to franchised MBBS course in Cyprus and Joint Venture with INTO.

Future developments

The whole of the UK tertiary education sector is facing a period of uncertainty as levels of state support are being reduced or replaced by higher fee levels for students. In this environment St George's is fortunate to be a first class medical school offering courses that will remain popular for both home and international students.

The economic climate will continue to put pressure on the University's research activities but again the outstanding quality of the academic staff and the increasingly focused nature of St George's research activities should continue to attract the funding it merits.

St George's will continue its programme of efficiency savings and development of income generating activities.

St George's has always been among the highest rated universities for its student experience and the University will work hard to maintain this position. St George's will continue to improve its laboratories and a new hall of residence is being constructed to provide additional accommodation to further improve the student experience. In the medium term the international joint ventures are anticipated to make an important contribution to the student experience.

St George's will continue to expand its successful joint venture with Kingston University in the Faculty of Health and Social Care Sciences. The University's membership of the South West London Academic and Social Care System will continue to bring practical benefits to the people in South West London and this close involvement with a large and diverse local population will continue to be important for medical teaching.

St George's will continue to develop closer collaborative working with St George's Healthcare NHS Trust in the areas of education, research and shared services.

Corporate governance statement

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

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

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

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

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

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

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

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

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

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

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mismanagement or loss. The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is of the view that the process has continued to identify, evaluate and manage significant risks throughout the year to 31 July 2011 and up to the date of the approval of the annual Financial Statements.

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

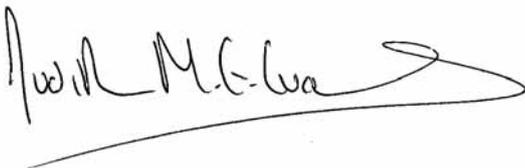
- Reviewing the Risk Management Policy to ensure it continues to identify risk and evaluates the likelihood and impact and communicates this to management;
- Holding regular meetings of the Risk Management and Efficiency Committee to develop policies and embed risk management processes into the organisation;

Corporate governance statement

- Convening an Estates Committee to monitor major projects and to ensure that these projects have relevant risk registers which are regularly reviewed throughout the duration of the project;
- Producing a risk register and reports of the Risk Management and Efficiency Committee for review by Council and Audit Committee;
- Reviewing the risk register which clearly identifies the likelihood and impact of risks. Responsibility for risks has been allocated and the residual risk determined taking account of control mechanisms in operation;
- Requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures;
- Commissioning internal audits from Mazars, the University's independent internal auditors. The audit planning is carried out jointly with senior executives and is based primarily on our risk register.

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

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



Ms Judith Evans
Chair of Council

Statement of council's responsibilities

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

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

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

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

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

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

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

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

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

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

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

Independent auditor's report

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

We have audited the group and University financial statements (the "financial statements") of St George's, University of London for the year ended 31 July 2011 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the University Council and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

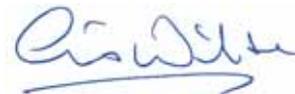
- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other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

Matters on which we are required to report by exception

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

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

Chris Wilson



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

Date: 29 November 2011

Statement of principle accounting policies

1 Basis of preparation

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

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

2 Basis of consolidation

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

The University's consolidated Financial Statements include its share of the Joint Arrangement, its subsidiary undertakings, St George's Estates Limited, St George's Enterprises Limited and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31st July 2011.

3 Recognition of income

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

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

Income from endowments and investments is credited to the Income and Expenditure Account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to specific endowments. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

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

4 Maintenance of premises

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

5 Pension arrangements (see also note 24 to the accounts)

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

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

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

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

6 Tangible fixed assets

(a) Land and buildings

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

Statement of principle accounting policies

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

(b) Equipment and furniture

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

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

*(or over the term of the grant)

(c) Leases

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

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

7 Intangible fixed assets

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

8 Investments

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

9 Stocks

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

10 Taxation

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

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

11 Accounting for charitable donations

(a) Unrestricted donations

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

(b) Endowment funds

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

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

(c) Donations of fixed assets

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

12 Provisions

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

13 Foreign currency translation

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

Consolidated income and expenditure account

for the year ended 31 July 2011

	Note	Consolidated 2010/11 £'000	Consolidated 2009/10 £'000
Income			
Funding council grants (HEFCE)	1	31,229	31,317
Academic fees and support grants	2	17,525	17,357
Research grants and contracts	3	16,998	19,716
Other operating income	4	19,345	21,588
Endowment income and interest receivable	5	285	303
Total income		85,382	90,281
Expenditure			
Staff costs	6	51,376	54,026
Depreciation	9	5,570	4,843
Interest and other finance costs	18	801	816
Other operating expenses	7	27,211	30,567
Total expenditure		84,958	90,252
Surplus for the year		424	29
Transfer from accumulated income in endowment funds		2	36
Exceptional items			
Sale of building		1,000	-
Restructuring costs		(1,120)	-
Surplus for the year retained within general reserves	8	306	65

All income and expenditure for the year, before exceptional items, relates to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 July 2011

	Note	2010/11 £'000	2009/10 £'000
Surplus for the year	8	306	65
Appreciation of fixed asset investments	9a	53	69
Appreciation of endowment asset investments	10	180	360
Total recognised gains		539	494

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

	2010/11 £'000	2009/10 £'000
Reconciliation		
Opening reserves and endowments	24,848	24,354
Total recognised gains and losses for the year	539	494
Closing reserves and endowments	25,387	24,848

Balance sheet

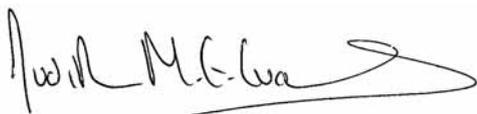
as at 31 July 2011

	Note	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
Fixed assets					
Tangible assets	9	67,865	67,865	66,987	66,987
Investments	9a	745	745	707	692
		68,610	68,610	67,694	67,679
Endowment asset investments	10	4,962	3,688	4,782	3,612
Current assets					
Stocks and stores in hand		4	4	4	4
Debtors	11	29,984	29,964	23,040	23,040
Cash at bank and in hand		8,236	8,049	10,591	10,508
		38,224	38,017	33,635	33,552
Creditors: amounts falling due within one year	12	(34,642)	(34,740)	(30,884)	(31,040)
Net current assets		3,582	3,277	2,751	2,512
Total assets less current liabilities		77,154	75,575	75,227	73,803
Creditors: amounts falling due after one year	12a	(15,290)	(15,290)	(15,599)	(15,599)
Net assets		61,864	60,285	59,628	58,204
Represented by:					
Deferred capital grants	13	36,477	36,477	34,780	34,780
Endowments					
Permanent restricted	14	2,262	989	2,118	949
Permanent expendable	14	2,700	2,699	2,664	2,663
		4,962	3,688	4,782	3,612
Reserves					
Revaluation reserve	15	117	117	64	64
General reserve	15a	20,308	20,003	20,002	19,748
		20,425	20,120	20,066	19,812
Total funds		61,864	60,285	59,628	58,204

The financial statements on pages 13 to 30 were approved by the council on 22 November 2011, and signed on its behalf by



Principal Professor Peter Kopleman



Chair of Council Ms Judith Evans



Treasurer Mr Michael Stevens

Consolidated cash flow statement

for the year ended 31 July 2011

	Note	2010/11 £'000	2009/10 £'000
Net cash inflow/(outflow) from operating activities	17	(119)	2,311
Returns on investments and servicing of finance	18	(516)	(513)
Capital expenditure and financial investment	19	(1,411)	(5,860)
Cash outflow before use of liquid resources and financing		(2,046)	(4,062)
Financing	21	(309)	(310)
Decrease in cash		(2,355)	(4,372)

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2011

	Note	2010/11 £'000	2009/10 £'000
Decrease in cash		(2,355)	(4,372)
Increase/(decrease) in endowment cash	20	(9)	9
Net cash decrease		(2,364)	(4,363)
Decrease in loan		309	310
Increase in net debt		(2,055)	(4,053)
Net debt at 1 August 2010		(4,541)	(488)
Net debt at 31 July 2011	20	(6,596)	(4,541)

Notes to the accounts

for the year ended 31 July 2011

1 Funding council grants (HEFCE)

	2010/11 £'000	2009/10 £'000
Recurrent grant	26,830	27,446
Specific grants		
Higher Education innovation fund	1,252	1,097
Deferred capital grants released in year (note 13)		
Building	2,935	2,500
Equipment	212	274
	31,229	31,317

2 Academic fees and support grants

	2010/11 £'000	2009/10 £'000
Full-time students charged home fees	5,550	5,327
Full-time students charged overseas fees	2,439	2,724
Part time fees	221	222
Non-medical education and training funded by NHS	9,107	8,807
Short course fees	208	277
	17,525	17,357

3 Research grants and contracts

	2010/11 £'000	2009/10 £'000
Research councils	1,754	1,284
Other UK Central Government bodies	2,363	2,647
UK industry and commerce	123	1,027
UK based charitable bodies	7,372	9,810
Overseas	1,854	2,301
Other sources	1,129	193
EU grants	1,415	2,088
UK health and hospital authorities	847	234
EU other	141	132
	16,998	19,716

Notes to the accounts

for the year ended 31 July 2011 continued

4 Other operating income

	2010/11 £'000	2009/10 £'000
Residences and conferences	1,483	1,334
Services rendered	12,591	15,189
Released from deferred capital grants (note 13)	193	111
Other income	5,078	4,954
	19,345	21,588

5 Endowment income and interest receivable

	2010/11 £'000	2009/10 £'000
Income from endowment asset investments (note 14)	129	160
	129	160
Other investment income (note 18)	156	143
	285	303

6 Staff costs

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

	2010/11 Number	2009/10 Number
Teaching and research activities	453	479
Teaching support services	200	234
Income generating activities	10	11
Catering and residencies	1	4
Administration and central services	116	121
Premises	23	25
Other	26	25
	829	899

Notes to the accounts

for the year ended 31 July 2011 continued

6 Staff costs continued

Staff costs for the above persons:	2010/11 £'000	2009/10 £'000
Wages and salaries	42,609	44,879
Social security costs	3,612	3,791
Pension costs	5,155	5,356
	51,376	54,026
Teaching and research activities	30,493	31,161
Teaching support services	12,158	12,780
Income generating activities	409	595
Catering and residences	21	131
Administration and central services	6,099	6,827
Premises	1,081	1,319
Other	1,115	1,213
	51,376	54,026

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

	2010/11 Number	2009/10 Number
£100,001–£110,000	5	9
£110,001–£120,000	4	6
£120,001–£130,000	6	8
£130,001–£140,000	5	7
£140,001–£150,000	5	2
£150,001–£160,000	2	4
£160,001–£170,000	5	6
£170,001–£180,000	3	2
£180,001–£190,000	1	4
£190,001–£200,000	3	2
£200,001–£210,000	1	1
£210,001–£220,000	0	2
£230,001–£240,000	0	1
£240,001–£250,000	1	0
	41	54

Emoluments of the Principal

	2010/11 £'000	2009/10 £'000
Salary	161	179
NHS Distinction Award	82	58
Pension contributions	39	37
Total emoluments	282	274

Notes to the accounts

for the year ended 31 July 2011 continued

7 Other operating expenses

	2010/11 £'000	2009/10 £'000
Teaching activities	4,748	5,041
Research activities	5,568	7,352
Administration	1,689	1,882
Endowment expenditure (fellowships, scholarships and prizes)	132	118
Premises costs	5,503	5,449
Services rendered	2,252	3,040
General education expenditure	3,537	3,554
Internal auditors remuneration	98	64
External auditors remuneration in respect of audit services	65	61
External auditors remuneration in respect of subsidiaries	4	-
External auditors remuneration in respect of other services	85	23
Residences and conferences operating expenses	792	546
Development of merger proposal	0	38
Grants to Student Union	229	229
Other expenses	2,244	2,766
Hire of other assets – operating leases on photocopiers	122	269
Staff development	143	135
	27,211	30,567

8 Surplus on continuing operations

	2010/11 £'000	2009/10 £'000
The surplus on continuing operations for the period is made up as follows:		
Surplus for the year	258	23
Surplus generated by St George's Estates Ltd and St George's Enterprises Ltd transferred to St George's, University of London	48	42
	306	65

Notes to the accounts

for the year ended 31 July 2011 continued

9 Tangible assets

	Freehold £'000	Long leasehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Valuation/cost					
At 1 August 2010	19,593	66,184	10,977	1,453	98,207
Additions (Note 19)	-	3,818	1,199	1,431	6,448
Transfers	-	617	619	(1,236)	-
Disposals	-	-	(1,326)	-	(1,326)
At 31 July 2011	19,593	70,619	11,469	1,648	103,329
Depreciation					
At 1 August 2010	1,110	21,310	8,800	-	31,220
Charge for year	398	4,076	1,096	-	5,570
Eliminated on disposal	-	-	(1,326)	-	(1,326)
At 31 July 2011	1,508	25,386	8,570	-	35,464
Net book value					
At 31 July 2011	18,085	45,233	2,899	1,648	67,865
At 31 July 2010	18,483	44,874	2,177	1,453	66,987

Capitalised interest in the year was nil (2010: nil)

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

	2010/11 £'000	2009/10 £'000
Deferred grant released	3,340	2,885
General income	2,230	1,958
	5,570	4,843

Notes to the accounts

for the year ended 31 July 2011 continued

9a Investments

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
At 1 August 2010	707	692	638	623
Disposals	(15)	–	–	–
Revaluation (unrealised)	53	53	69	69
At 31 July 2011	745	745	707	692
Represented by:				
Unit Trusts	745	745	707	692
			Cost 2010/11 £	Cost 2009/10 £
Subsidiary companies				
St George's Enterprise Limited			2	2
St George's Global Limited			2	–
St George's Estates Limited			2	2
			6	4

St George's Enterprises Limited, which was a dormant company with net assets of £2 in 2009/10 began trading during 2010/11.

St George's Estates Limited is now dormant having traded in 2010/11.

During 2010/11 a new subsidiary company was established as a wholly owned subsidiary of St George's, University of London – St George's Global Limited.

All three of the subsidiaries are 100% owned by SGUL, incorporated in Great Britain and registered in England and Wales.

10 Endowment asset investments

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
Balance at 1 August 2010	4,782	3,612	4,422	3,328
Surplus/(deficit) on activity (note 14)	(3)	(38)	9	9
Unrealised gain (on revaluations)	183	114	351	275
Balance at 31 July 2011	4,962	3,688	4,782	3,612
Represented by:				
Equities	4,241	2,967	4,020	2,850
Bank balances	721	721	762	762
Endowment asset investments	4,962	3,688	4,782	3,612

Notes to the accounts

for the year ended 31 July 2011 continued

11 Debtors

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
Research grants and contracts balances	16,602	16,602	10,146	10,146
St George's Healthcare NHS Trust	3,556	3,556	1,919	1,919
Other debtors	8,592	8,572	9,548	9,548
Accrued income	811	811	925	925
Prepayments	423	423	502	502
	29,984	29,964	23,040	23,040

12 Creditors: amounts falling due within one year

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
Bank loan	308	308	293	293
Research grants and contracts balances	19,900	19,900	16,137	16,137
Social security and other taxation payable	–	–	48	48
St George's Healthcare NHS Trust	1,712	1,712	1,698	1,698
Other creditors	9,964	9,871	10,178	10,178
Accruals and deferred income	2,758	2,758	2,530	2,530
Amounts due to subsidiary undertakings	–	191	–	156
	34,642	34,740	30,884	31,040

12a Creditors: amounts falling due after one year

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
Bank loan	15,290	15,290	15,599	15,599
	15,290	15,290	15,599	15,599

	Consolidated 2010/11 £'000	SGUL 2010/11 £'000	Consolidated 2009/10 £'000	SGUL 2009/10 £'000
The bank loan is re-payable as follows:				
In one year or less	308	308	293	293
Between one and two years	326	326	308	308
Between two and five years	1,071	1,071	1,022	1,022
In five years or more	13,893	13,893	14,269	14,269
Total	15,598	15,598	15,892	15,892

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

Notes to the accounts

for the year ended 31 July 2011 continued

13 Deferred capital grants

	Funding Council £'000	Other Grants £'000	Total £'000
Consolidated and SGUL			
At 1 August 2010			
Building	29,450	4,739	34,189
Equipment	373	218	591
Total	29,823	4,957	34,780
Income:			
Building	5,037	-	5,037
Total	5,037	-	5,037
Released to income and expenditure:			
Building (Note 1)	(2,935)	(157)	(3,092)
Equipment (Notes 1, 3 and 4)	(212)	(36)	(248)
Total	(3,147)	(193)	(3,340)
At 31 July 2011			
Building	31,552	4,582	36,134
Equipment	161	182	343
Total	31,713	4,764	36,477

14 Endowments

Consolidated and SGUL	Consolidated			SGUL		
	Permanent restricted £'000	Permanent expendable £'000	Total £'000	Permanent restricted £'000	Permanent expendable £'000	Total £'000
Capital value	2,057	2,781	4,838	888	2,780	3,668
Accumulated income	61	(117)	(56)	61	(117)	(56)
At 1 August: 2010	2,118	2,664	4,782	949	2,663	3,612
New endowments	-	-	-	-	-	-
Appreciation of SGUL investments	28	86	114	28	86	114
Appreciation of Eleanor Peel investments	69	-	69	-	-	-
Income for the year (note 5)	58	71	129	23	71	94
Expenditure for the year	(11)	(121)	(132)	(11)	(121)	(132)
At 31 July 2011	2,262	2,700	4,962	989	2,699	3,688
Represented by:						
Capital value	2,154	2,867	5,021	916	2,866	3,782
Accumulated income	108	(167)	(59)	73	(167)	(94)
	2,262	2,700	4,962	989	2,699	3,688

Notes to the accounts

for the year ended 31 July 2011 continued

15 Revaluation reserve

	Note	2010/11 £'000	2009/10 £'000
Movements on SGUL and the consolidated revaluation reserve			
At 1 August 2010		64	–
Revaluation (unrealised) of investments	9a	53	64
At 31 July 2011		117	64

15a Movement on general reserve

	Note	2010/11 £'000	2009/10 £'000
At 1 August 2010		20,002	19,937
Surplus on continuing operations	8	306	65
At 31 July 2011		20,308	20,002

16 Capital commitments

		2010/11 £'000	2009/10 £'000
Building commitments approved but not contracted		5,000	7,800
Building commitments contracted at 31 July 2011		14,000	–

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

	Note	2010/11 £'000	2009/10 £'000
Surplus		306	65
Depreciation	9	5,570	4,843
Deferred capital grants released to income	13	(3,340)	(2,885)
Investment income	18	(156)	(143)
Endowment income	18	(129)	(160)
Interest paid on bank loan	18	801	816
Increase in debtors	11	(6,944)	(3,112)
Increase in creditors (excluding loans)	12 & 12a	3,773	2,887
Net cash outflow from operating activities		(119)	2,311

Notes to the accounts

for the year ended 31 July 2011 continued

18 Return on investment and servicing of finance

	Note	2010/11 £'000	2009/10 £'000
Income from endowments	5	129	160
Other investment income			
Income on investments	5	21	25
Interest on cash deposits	5	61	51
Foreign currency exchange gain	5	74	67
		156	143
Interest paid on bank loan		(801)	(816)
Net cash outflow from returns on investment and servicing of finance		(516)	(513)

19 Capital expenditure and grants

	Note	2010/11 £'000	2009/10 £'000
Tangible assets acquired	9	(6,448)	(9,354)
Deferred capital grants received	14	5,037	3,494
		(1,411)	(5,860)

20 Analysis of changes in net debt

	At 1 August 2010 £'000	Cash Flow 2010/11 £'000	At 31 July 2011 £'000
Consolidated and SGUL			
Cash at bank and in hand	10,590	(2,354)	8,236
Endowments	730	(9)	721
Bank loan	(15,862)	309	(15,553)
	(4,542)	(2,054)	(6,596)

21 Changes in financing during the year

	2010/11 £'000	2009/10 £'000
Loan repayment In year	(309)	(310)
Net cash outflow from financing	(309)	(310)

22 Access to learning funds

	2010/11 £'000	2009/10 £'000
Grant from HEFCE	58	68
Grants to students	(57)	(68)
Balance refundable to/(payable by) HEFCE	1	-

The HEFCE grants are available solely for students; SGUL only acts as a paying agent.

The grants and related disbursements are therefore excluded from the Income and expenditure account.

Notes to the accounts

for the year ended 31 July 2011 continued

23 Related party transactions

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

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

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

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

24 Pension schemes

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

USS

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

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

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. St George's is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

Notes to the accounts

for the year ended 31 July 2011 continued

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,843 million and the value of the scheme's technical provisions was £28,135 million indicating a surplus of £708 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary

experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve have been included, in addition, on account of the variability mentioned above.

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

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010, to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

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

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for the year ended 31 July 2011 continued

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term finding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, the University had 427 active members participating in the scheme.

The total pension cost for the University was £2,883,020 (2010: £2,900,130). This includes £Nil outstanding contributions at the Balance Sheet Date (2010: £Nil). The contribution rate payable by the University was 16% of pensionable salaries.

SAUL

The latest valuation was carried out as at 31 March 2008 using the projected unit credit method. The following assumptions were used to assess the past service funding position and future service liabilities:-

	Past Service	Future Service
Investment returns per annum pre retirement	6.9%	7.0%
post retirement	4.8%	5.0%
Salary growth*	4.85%	4.85%
Pension increases	3.35%	3.35%
Market value of assets at last actuarial Valuation date	£1,266 million	
Proportion of members' accrued benefits covered by the actuarial value of assets	100%	
Current employers contribution rate	13.00%	

* excluding an allowance for promotional increases

The total pension cost for the University was £593,746 (2010: £673,716). The University had 190 active members participating in the scheme as at 31 March 2011.

NHSS

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

The pension cost charged to the University's Income and Expenditure Account for the year was £1,158,829 (2010: £1,242,772). The University had 148 active members participating in the scheme as at 31 March 2011.

Royal Borough of Kingston upon Thames Pension Fund

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

Notes to the accounts

for the year ended 31 July 2011 continued

The scheme currently has a deficit and whilst it is not possible to consistently and reasonably identify the share of this deficit, there is a potential liability in future years if the deficit continues. The Joint Faculty of Health and Social Care Sciences had 65 active members participating in the scheme at 31 March 2011. The last actuarial valuation was carried out by AON Hewitt Limited in 2011. The employer contribution rate is 23.3%.

25 Operating leases

The University has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31 July 2011 was £122k (included in note 7). The total of future minimum lease payments under these non-cancellable operating leases for each of the following periods is:-

	Consolidated and SGUL 2010/11 £'000	Consolidated and SGUL 2009/10 £'000
Within 1 year	122	194
Between one and five years	170	135
	292	329

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