

## Contents

---

	Page
Council Membership	2
Advisers to SGUL	3
Operating & Financial Review	4
Corporate Governance Statement	18
Statement of the Council's Responsibilities	20
Report of the Auditors	22
Statement of Principal Accounting Policies	24
Consolidated Income and Expenditure Statement	28
Statement of Total Recognised Gains and Losses	29
Balance Sheet	30
Consolidated Cash Flow Statement	31
Notes to the Accounts	32 - 44

From 1st August 2008 to 31st July 2009

### External Members

Mr James Cochrane	
Mrs Naaz Coker	
Ms Judith Evans	
Professor Ram Gidoomal	Resigned 23 April 2009
Mr David Greggains	
Baroness Elaine Murphy	
Mrs Isabel Nisbet	
Professor Sir Peter Scott	
Professor Richard Smith	
Mr Colin Stanbridge	Resigned 1 October 2008
Mr Graham Turner	
Professor Stephen Hill	Resigned 1 April 2009
Professor Peter Rigby	

### Ex-Officio Members

Professor Peter Kopelman  
Professor George Griffin  
Professor Sean Hilton  
Professor Patricia Hughes

### Elected by Academic Staff

Professor John Axford

### Elected by Support Staff

Ms Jill Edwards

### Elected by Students

Mr Paolo Perella  
Mr Jack Sugrue

### Staff In Attendance

Mr Mark Bery	
Mr John Duffy	Resigned 1 November 2009
Miss Susan Trubshaw	

## Advisers to SGUL

---

**BANKERS:**

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

**SOLICITORS:**

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

**AUDITORS:**

**INTERNAL**

Mazars  
The Atrium Park Street West  
Luton LU1 3BE

**EXTERNAL**

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley RH11 9PT

**INVESTMENT MANAGERS:**

Cazenove Fund Management Limited  
12 Moorgate  
London EC2R 6DA

### NATURE OF THE ORGANISATION

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

St George's, University of London (SGUL) is a college of the University of London and a specialist provider of medical and healthcare education. The site is in Tooting, South West London, and shares this site and clinical resources with one of the UK's busiest hospitals (St Georges Healthcare NHS Trust).

In 1995, the Faculty of Health and Social Care Sciences was established with Kingston University, offering nursing and midwifery education and, on the St George's site, degree and diploma courses were offered to qualified nurses and midwives. Education and training is therefore now provided to a wide range of healthcare, medical and biomedical students.

SGUL offers high quality undergraduate and postgraduate programmes. Undergraduate degrees are offered in healthcare sciences (diagnostic or therapeutic radiography, and physiotherapy), biomedical informatics, biomedical science and pharmacy and a four and five-year MBBS in medicine. Paramedic Sciences 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, Sussex and also in the community.

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

### OBJECTIVES AND STRATEGY

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

#### STRATEGIC AIMS:

- Delivering relevant quality courses to anticipate and meet the requirements and expectations of students and employers in the medical and research fields.
- Developing the skills of our students and staff to ensure information is communicated effectively and they have an understanding of working in a culturally diverse community.
- Continue to produce research of international quality.
- Develop and commercialise technology in relevant consultancy, research and training services.
- Ensure the University continues to support and value the contributions made by staff and students and others associated with it.

#### CORPORATE VALUES:

- Transparency and an ethical approach to all activities
- Celebrating diversity
- Providing a stimulating, healthy and safe environment in which to work and learn.
- Innovation and partnership.

## Operating and Financial Review - Continued

### TEACHING & LEARNING

#### STUDENT STATISTICS

SGUL remains a popular choice as shown by the number of applicants per place for courses registered at the university (students registered at Kingston University under the Joint Faculty are excluded).

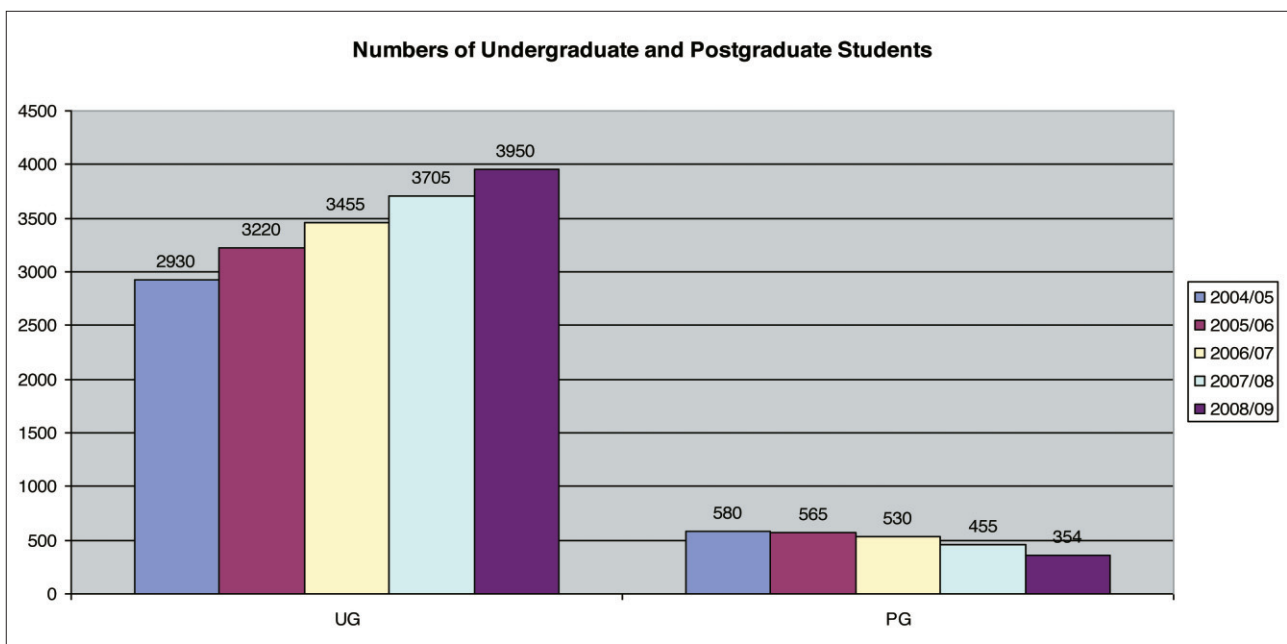
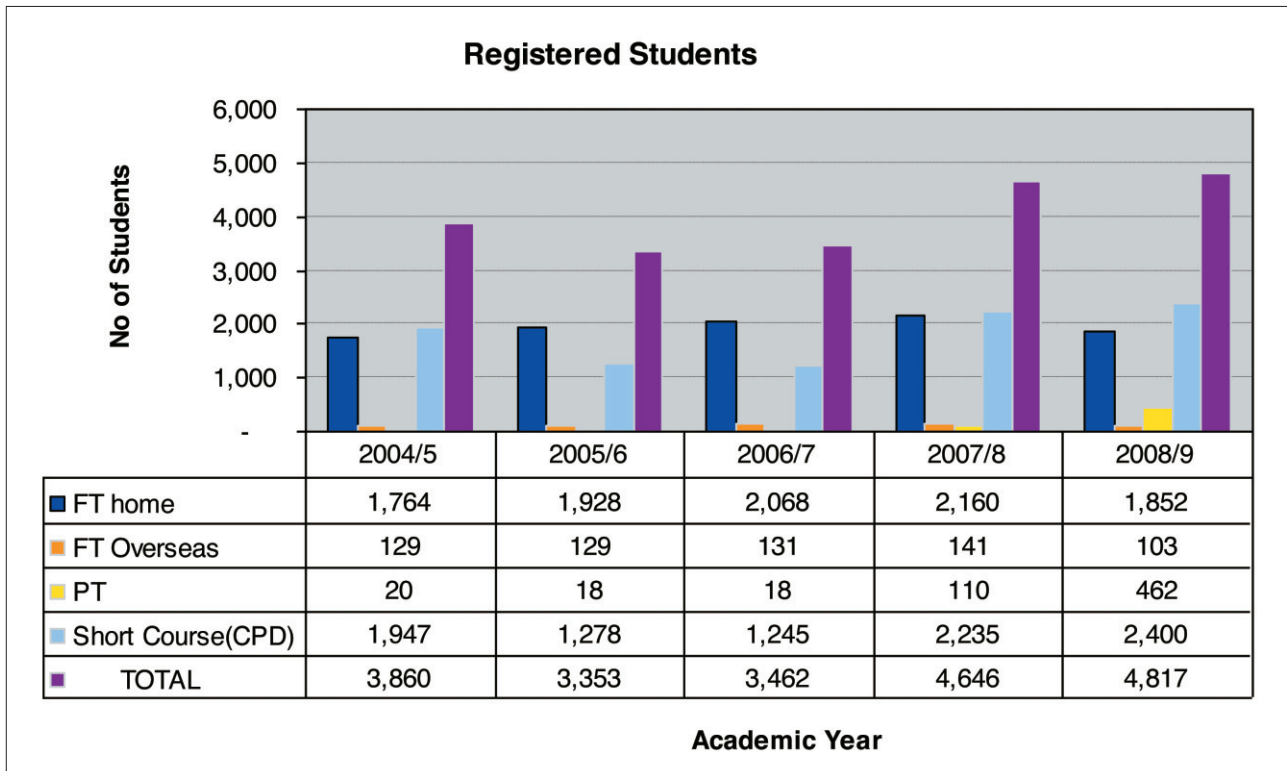
Number of applications per place per academic year					
	2004/5	2005/6	2006/7	2007/8	2008/9
Medicine (5 yr)	9	8	12	8	9
Medicine (4yr)	20	19	20	19	8
BSc Biomedical Science	14	13	12	7	7
BSc Physiotherapy	9	11	10	8	8
Foundation for Medicine	10	10	11	10	8
Foundation for Paramedic Science (start 2008/9)	-	-	-	-	11
BSc Biomedical Informatics	-	-	2	9	1
BSc Diagnostic Radiography	7	8	10	11	8
BSc Therapeutic Radiography	8	6	7	7	4

The total number of students on undergraduate courses in 2008/09 is 4,817, which includes students under the Joint Faculty and SGUL's research and teaching partnership with Kingston University and Royal Holloway, called the South West London Academic Network (SWan). A five-year analysis of recruitment figures demonstrates a substantial increase in student numbers since 2004/5.

## TEACHING & LEARNING (continued)

### STUDENT STATISTICS

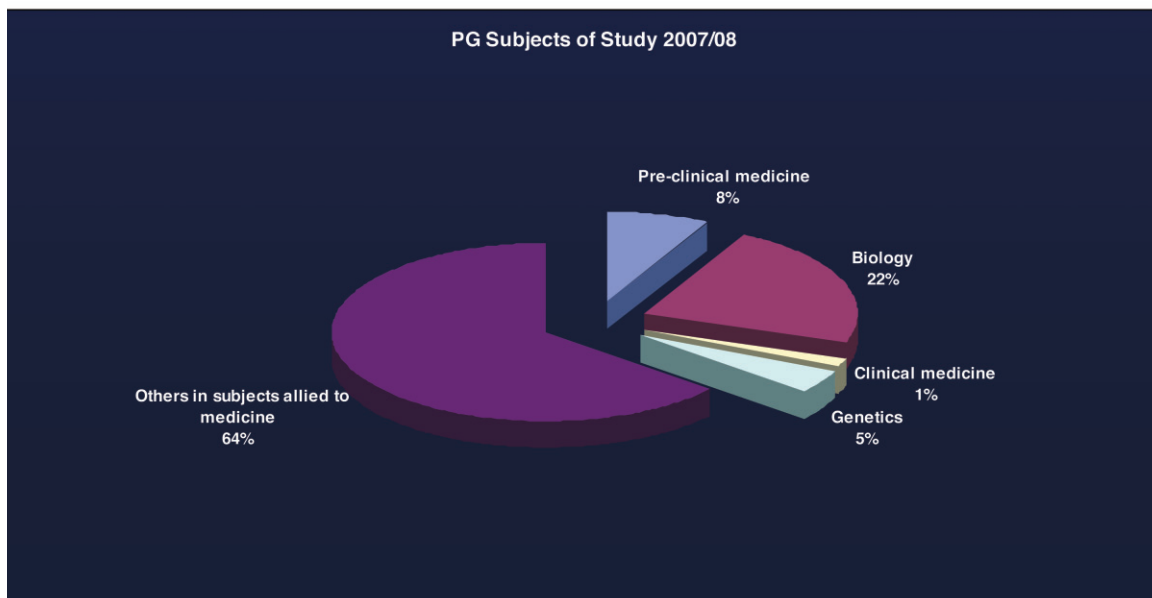
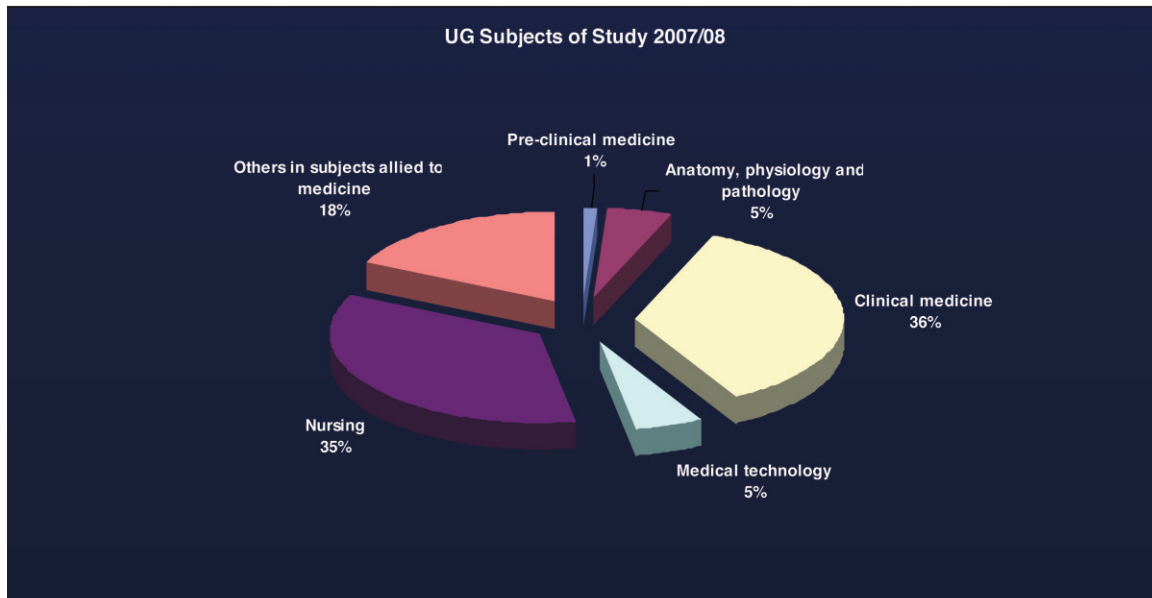
SGUL has seen a 27% increase in registered student numbers to 4,817 over the last 5 years. In 2008/9 undergraduate students represented 82% of the total student numbers.



# Operating and Financial Review - Continued

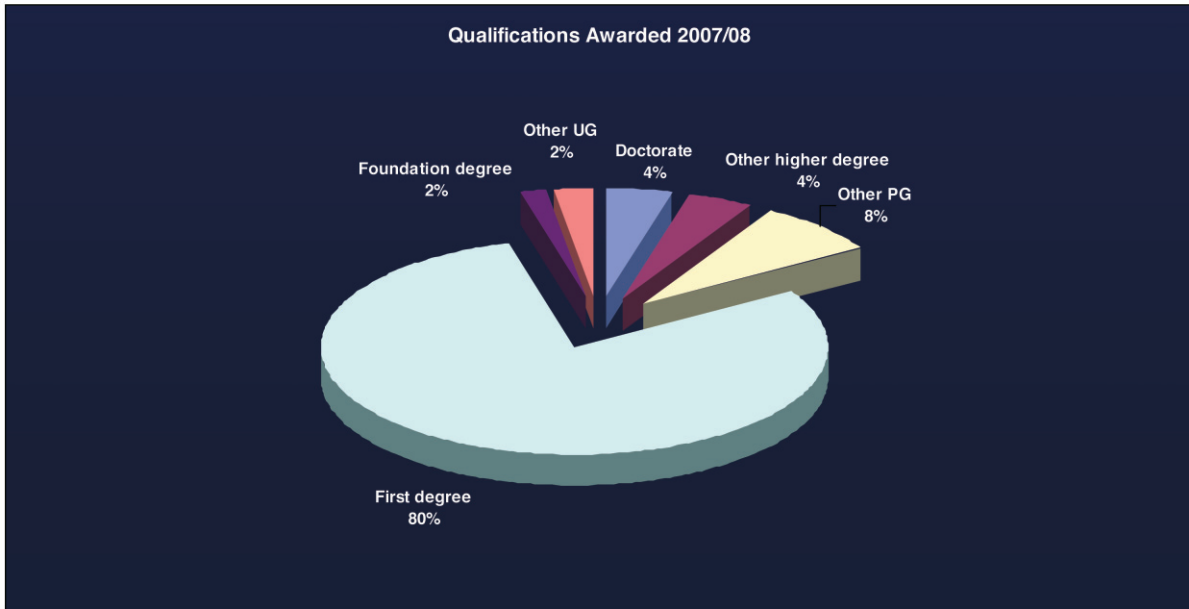
## TEACHING & LEARNING (continued)

Below is a profile of subjects for 2007/08 academic year based on JAC's (Joint Academic Coding).



## TEACHING & LEARNING (continued)

Below is an analysis of Qualifications awarded for the 2007/08 academic year.



80% of the SGUL students in the 2007/08 academic year obtained first degrees.

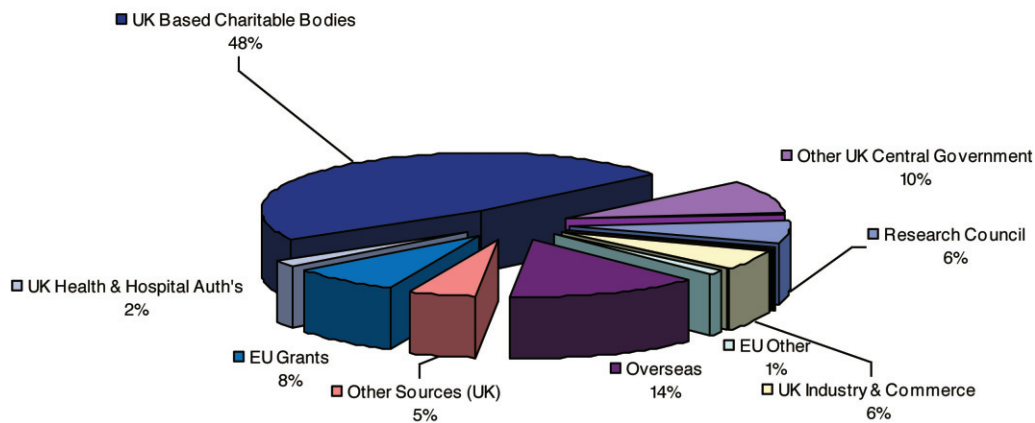


# Operating and Financial Review - Continued

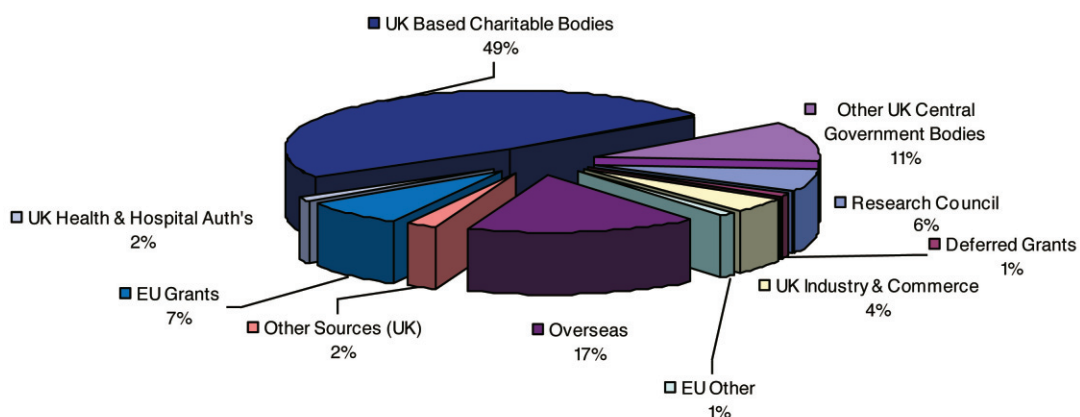
## RESEARCH

SGUL's total research income grew by 7.4% in 2009 to £20.2m (2008: £18.8m). The majority of our research is funded from UK based charitable bodies at 48% (2008: 49%).

**Research Grant Income as a percentage by Source 2009**



**Research Grant Income as a percentage by Source 2008**



The close partnership with St George's Healthcare NHS Trust, as well as the diverse population of south-west London, presents opportunities for translational research of the highest national and international standards. We plan, in conjunction with the Trust, to develop a Clinical Research Facility to facilitate this research.

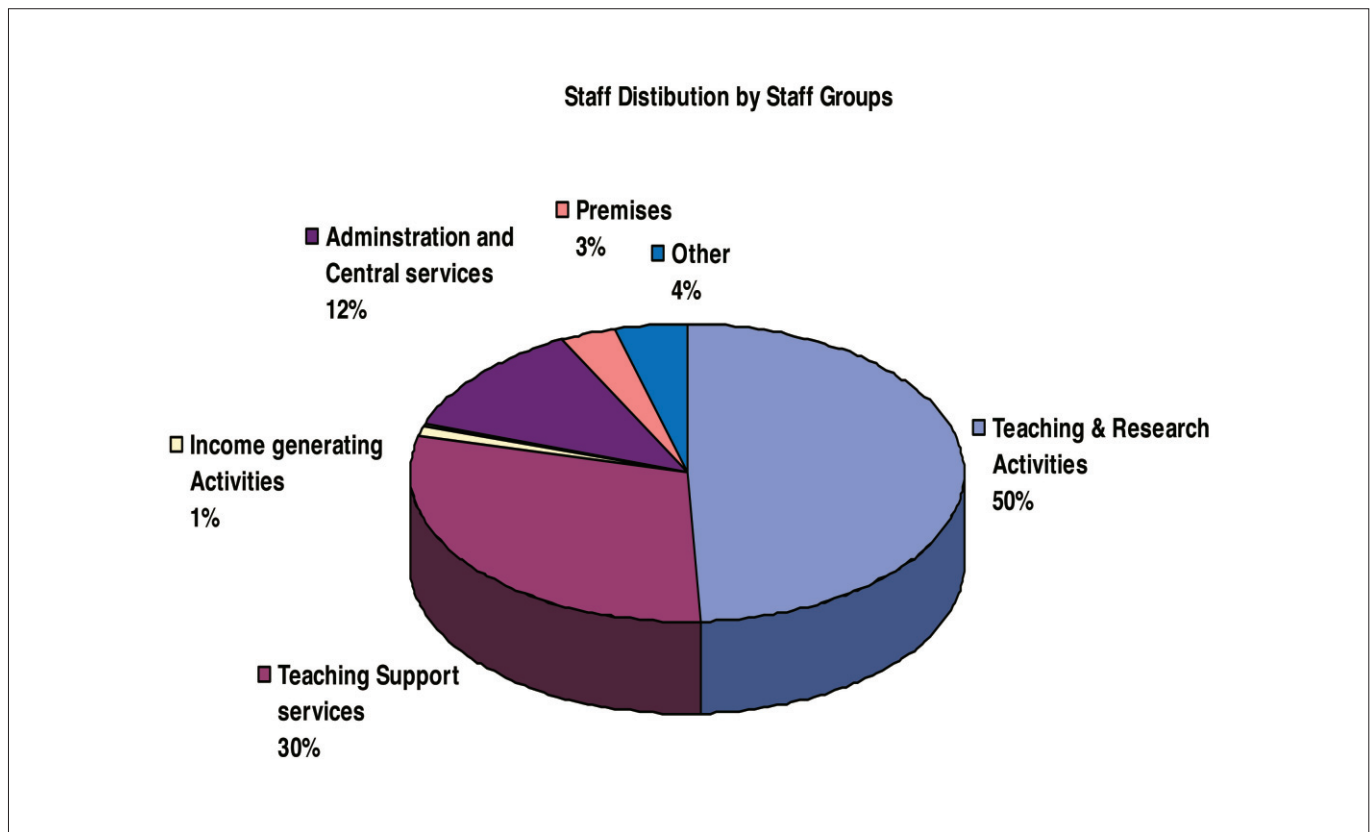
## STAFF

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

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

SGUL continues to communicate with staff and this is achieved by using the portal and publishing a magazine quarterly, which is distributed to both staff and students. In addition, the Principal holds an open forum at least once a term, for all staff. Staff and students are also represented on a broad range of committees including the governing body Council.

The University has 938 (2008: 891) employees. Teaching and Research Activities staff represent 50% at 462 (2008: 51% 457) of the workforce and is made up of Academic and Research staff.



# Operating and Financial Review - Continued

## REVIEW OF THE LAST YEAR

SGUL has a distinctive place in the UK Higher Education sector and remains well known for its innovative research and teaching.

Much of 2008/9 was devoted to SGUL's strategic options review and detailed discussions with Royal Holloway, University of London (RHUL) with a view to a potential merger from 1 August 2010. The detailed strategic options review that led to the decision to merge had identified five criteria that needed to be fulfilled for SGUL to feel confident about securing its future - preservation of name and brand of St George's, development of research synergies, investment at the Tooting campus for research and teaching, infrastructure and capacity and support for the development of the Academic Health and Social Care Network (AHSCN).

In September 2008, SGUL Council supported the business case for merger and re-stated its firm belief in the exciting opportunities for research and teaching as part of a large multi-faculty university. However, with reluctance, differing views on the implementation of the proposed merger and uncertainties surrounding the future funding of the higher education sector resulting from a downturn in the economic climate, made the decision to merge too high risk.

SGUL remains committed to working with RHUL under existing collaborative arrangements and will fully explore areas where further collaboration can be achieved.

In July, the Privy Council granted St George's, University of London the power to award degrees in its own right. St George's students currently receive degrees of the University of London under a delegated authority, as do students at other colleges of the University of London. Although there are no plans to change this, the acquisition of degree-awarding powers is an important historic milestone and a means of consolidating and insuring the position of St George's as an internationally regarded higher education institution.

In December 2008 the results of the Research Assessment Exercise (RAE) were published. SGUL submitted academic staff in eight units of assessment.

Each submission has resulted in a quality profile following the recommendations by the relevant sub-panel after detailed assessment and endorsement by the relevant main panel.

The outcome from the RAE needs to be considered in the context of the recently published research strategy for St George's, which identified four distinct areas of research:

- Cardiovascular science
- Infection and immunology
- Public health and epidemiology
- Basic medical sciences

In all these areas, the quality of the more than 85% of staff research returned in the RAE was judged to be of international standing in terms of originality, significance and rigour (2\* and 3\*).

In nursing and midwifery, 15% of the output was considered world leading and 55% judged to be of international standing in terms of originality, significance and rigour.

A comparison of St George's performance with similar institutions suggests that we have held our grounds in research terms since the RAE in 2001. The outcome from RAE 2008 guidelines the importance of moving forward our research strategy to enhance the distinctiveness of St George's research.

## SCOPE OF THE FINANCIAL STATEMENTS

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

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

### FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Financial Summary for the year compared to the prior year is as follows:

	2008	2009	
	£(m)	£(m)	% Change
<b>Income</b>	<b>85.6</b>	<b>92.2</b>	<b>7.8</b>
<b>Expenditure</b>	<b>81.8</b>	<b>90.3</b>	<b>10.4</b>
<b>Surplus for the year</b>	<b>3.8</b>	<b>1.9</b>	<b>-50.0</b>
<b>Reserves</b>	<b>18.0</b>	<b>19.9</b>	<b>10.0</b>

Total income increased by 7.8% (2008: 14.6%) to £92.2m (2008: £85.6m) and total expenditure increased by 10.4% (2008: 13.3%) to £90.3m (2008: £81.8m).

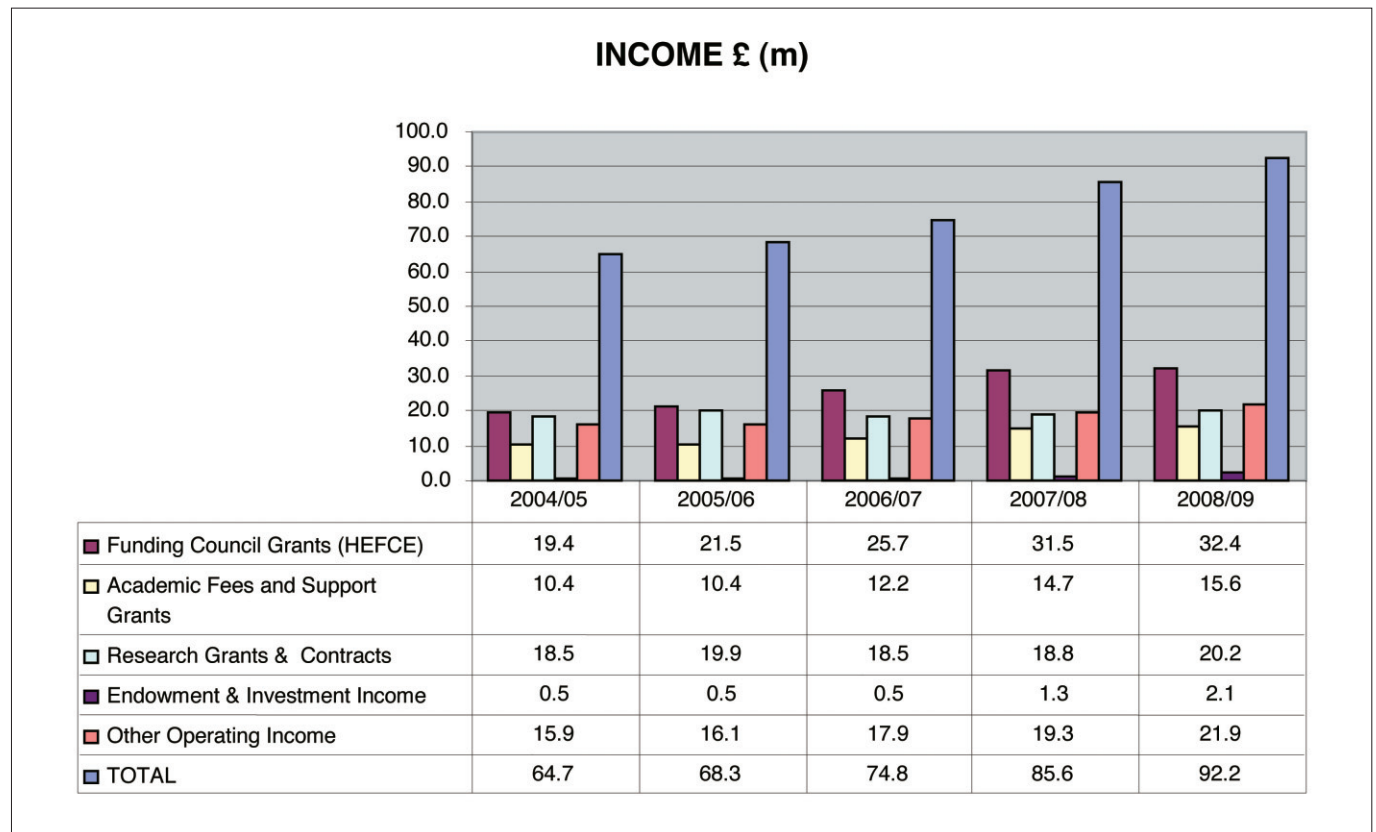
The net result was a surplus of £1.9m for the year, compared to a surplus of £3.8m for the corresponding period last year. This represents 2.1% (2008: 4.4%) of income.

This has now been the sixth consecutive year SGUL has had a surplus and this gives an accumulated income and expenditure reserve of £19.9m at 31 July 2009.

# Operating and Financial Review - Continued

## Income & Expenditure

### Income



Income growth for the year ended 31 July 2009 was 7.8% (2008: 14.4%).

- Funding council Grants increased by £0.8m (2008: £5.9m) to £32.4m (2008: £31.6m). The recurrent grant increased by £2.4m to £28.7m (2008: £26.3m). In the current year the Teaching grant is £20.3m and the Research Grant is £7.7m, with the balance representing a release of deferred capital grants & other HEFCE allocations.
- Academic Fees & Support Grants increased by £1.0m (6.8%) to £15.7m. This includes a 22.4% increase in full (home & EU) time fees to £4.7m (2008: £3.8m) and a 2.1% increase in overseas fees to £2.8m (2008: £2.7m). Fee income for courses run in the Joint Faculty of Health and Social Care Sciences increased by 2.7% to £7.8m (2008: £7.6m).
- Research Grants and Contracts increased by £1.4m (7.4%) to £20.2m with an increase in the contribution to overheads to £1.5m (2008: £1.3m).
- Other Operating Income increased by £2.6m (13.4%) to £21.9m. This includes a £1.5m increase in Services Rendered with the NHS and £1.1m from other income generating activities.
- Endowment Income and Interest Receivable grew by £0.9m (69.0%) to £2.1m. This includes a one-off £1.2m foreign exchange gain on the sale of US dollars.

### Income & Expenditure (continued)

In June 2009 a revised five year forecast was undertaken. Although this indicated SGUL would generate surpluses each year, SGUL is mindful that changes to the funding landscape could materially affect its position. Increased costs for pay and pensions have been factored in, and will have a particularly challenging influence on SGUL's financial position in future years.

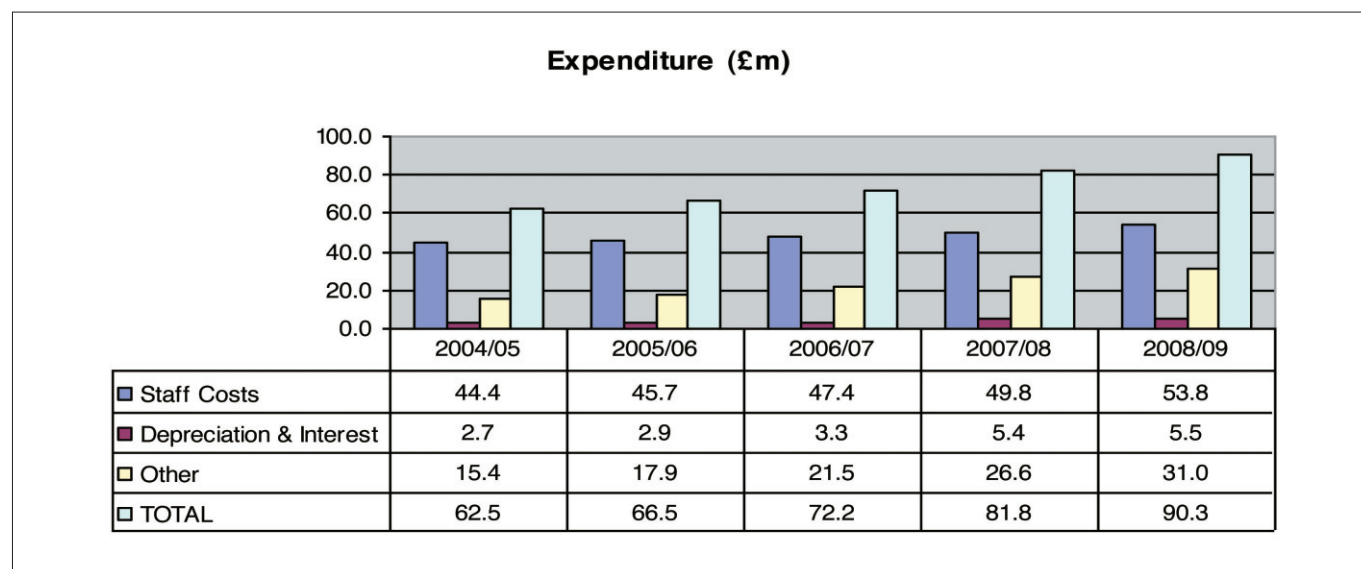
SGUL's investments, both endowments and general funds, are managed by an external fund manager in a pooled fund. The Investment Committee, a sub-group of the Finance Committee, receives regular reports on the valuation and performance of the funds and meets the manager of the pooled fund twice a year.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

The cash flow statement shows net cash inflow of £2.2m from operating activities for the year. Investment in tangible fixed assets of £6.3m, offset by grants of £3.2m, investment income of £2.0m, interest paid on the bank loan of £0.8m and capital repayments of £0.3m meant that SGUL's cash balance closed £48k higher than at the start of last year. The level of cash and short-term deposits at £15.0m (2008: £14.9m) represents 60 days (2008: 67 days) of recurrent expenditure.

# Operating and Financial Review - Continued

## FINANCIAL REVIEW AND RESULTS FOR THE YEAR

### Expenditure

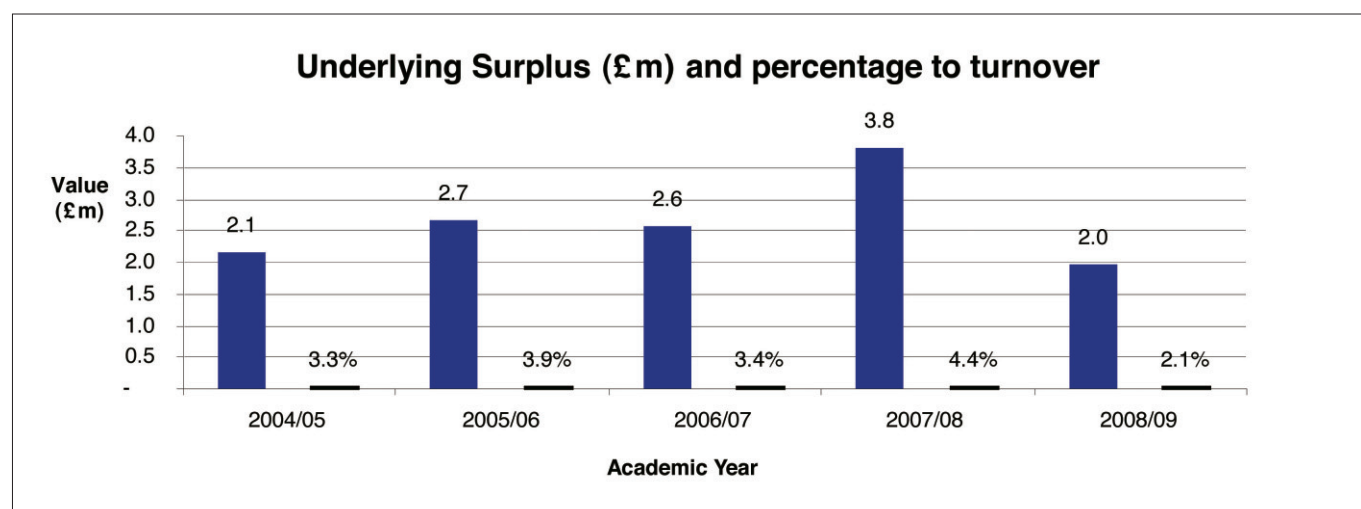


Total expenditure increased by £8.5m (10.4%) to £90.3m compared to £81.8m, last year.

- Staff costs increased by £4.0m (8%) to £53.8m. This resulted from an increase in staffing numbers by 47 to 938 and a pay award of 5% for non-clinical staff in October 2008.
- Non staff costs (excluding depreciation and interest) increased by £4.4m (16.5%) to £31.0m. The above inflation increase includes significant expenditure on SGUL's long term maintenance and investment in a number of strategic developments.

### PERFORMANCE INDICATORS

SGUL has consistently generated surplus positions and in 2008/9 a 2.1% surplus (2008: 4.4%) was achieved on a turnover of £92.2m (2008: £85.6).



### RISKS AND UNCERTAINTIES

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

The main risk areas identified during 2008/9 were:

- Implementation of the recommendations of the Medicines and Healthcare products Regulatory Agency (MHRA) report
- Compliance issues in relation to Health and Safety
- Failure to achieve fEC on research
- Meeting maintenance requirements
- Supply of IT systems to support SGUL
- Timely management information
- Risks associated with the key income stream, such as RAE, student recruitment
- Merger
- Budgetary control and the ability to control costs, particularly in light of the general economic downturn.

### TREASURY MANAGEMENT POLICY

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

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



## Operating and Financial Review - Continued

---

### FUTURE DEVELOPMENTS

In 2008/09 SGUL spent £6.4m (2008: £9.3m) on additions to capital and equipment and SGUL has an ambitious plan to further develop its estate. This includes refurbishing laboratory space in Jenner Wing in three phases with the aim of providing state-of-the-art multi-purpose modern facilities that are able to support research of the highest standard. SGUL is also committed to building a Clinical Research and Trials Unit, to facilitate translational research with the Trust.

SGUL is actively addressing the need to promote its role in environmental issues and a new Environmental Committee has been started during 2008/9 to oversee and implement initiatives.

During the forthcoming year SGUL is planning “Building Sustainable Excellence” with a divisional restructure which will interface more closely with our NHS partners, establish research centres and further develop personal review systems. Together with refurbishment of Jenner, this transformational strategy will make SGUL ‘fit for purpose’ for the challenging times ahead and more financially sustainable.

SGUL and the Joint Faculty (with Kingston University) and an external partnership in SW London has strengths and SGUL will promote excellence of teaching across many health disciplines and invest in research in a smaller number of distinctive areas that have both strong translational and applied clinical relevance. It will be crucial that all activities are affordable and attract new income sources.

An exercise is underway to critically review every aspect of our business and associated costs in anticipation of the likely consequences of reduced public funding and securing cost efficiencies without diminishing the quality of our academic business.

SGUL will be playing a principal role in the activities of the SW London Academic Health and Social Care Network which was formally launched in October 2009. This initiative will create an inclusive model of collaboration between the NHS and SGUL, focusing on research, education and training, underpinned by building research capacity and developing integrated education, health and social care change.

SGUL is also applying, in collaboration with Kings Health Partners, to form a South London Health Innovation and Education Cluster (HIEC).

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

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

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

The Council meets at least four times a year and has several Committees, namely a Finance Committee, a Nominations 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.

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

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

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

The 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, Remuneration and Investments) meet less frequently because of the limited nature of their activities. These committees make reports to Council following their meetings.

The Audit Committee normally meets four times a year, with our external and internal auditors invited to attend meetings as appropriate. The Committee considers detailed reports from the internal and external auditors and other relevant reports including any from the Higher Education Council for England (HEFCE) together with recommendations for the improvement of our systems of internal control, values for money studies and management's response and implementation plans. It also monitors adherence to the regulatory requirements. Senior Executives attend meetings of the Audit Committee as necessary but are not members of the Committee and once a year the Committee meets the internal and external auditors without the presence of Senior Executives.

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

## Corporate Governance Statement - Continued

---

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mismanagement or loss.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Council is of the view that the process has continued to identify, evaluate and manage our significant risks throughout the year to 31 July 2009 and up to the date of the approval of the annual report and accounts.

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

- Reviewing our Risk Management Policy to ensure it continues to identify risk and evaluates the likelihood and impact and communicates this to management.
- Holding regular meetings of the Risk Management Committee (quarterly) to develop policies and embed risk management processes into the organisation.
- Convening an Estates Committee to monitor major projects and to ensure that these projects have relevant risk registers which are regularly reviewed throughout the duration of the project.
- Producing a risk register and reports of the Risk Management Committee for review by Council and Audit Committee.
- Reviewing the risk register which clearly identifies the likelihood and impact of risks. Responsibility for risks has been allocated and the residual risk determined taking account of control mechanisms in operation.
- Requesting the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management procedures.
- Commissioning Internal Audits from Mazars. The audit planning is carried out jointly with senior executives and is now based on our risk register.

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

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

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

Baroness Murphy  
Chair of Council



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

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

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

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

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

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.

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 Institution's resources and expenditure.

## Statement of Council's Responsibilities - Continued

---

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

We have audited the University financial statements (the "financial statements") of St George's, University of London for the year ended 31 July 2009 which comprise Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

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

### Respective Responsibilities of the University Council and Auditors

The Council's responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 20.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

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

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

# Report of the Independent Auditors, KPMG LLP- Continued

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the University's affairs as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended.
- the Financial Statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.



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

31 November 2009

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

## 1 Basis of Preparation

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

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

## 2 Basis of Consolidation

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

The consolidated Financial Statements include the Financial Statements of SGUL including its share of the Joint Arrangement, its subsidiary undertakings, St George's Estates Limited, St George's Enterprises Limited and the Eleanor Peel Chair of Geriatric Medicine Fund for the financial year to 31st July 2009. During the year, SGUL co-founded a company limited by guarantee – Royal Holloway St George's Ltd, with Royal Holloway, University of London. SGUL did not have a controlling interest in RHSG with three directors on a board of seven, including an independent chair. SGUL has not therefore consolidated the accounts of RHSG into the consolidated financial statements. SGUL's share of the costs incurred and invoiced by RHSG are included in note 7 to the accounts under the heading of Development of Merger Proposal. As a company limited by guarantee, SGUL had no investment, shareholding or loans with RHSG.

## 3 Recognition of Income

Recurrent grants from HEFCE are recognised in the period in which they are receivable.

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

Income from endowments and investments is credited to the income and expenditure account on 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.



## Statement of Principal Accounting Policies - Continued

### 5 Pension Arrangements (see also note 24 to the accounts)

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

Defined contribution scheme contributions are charged to the income and expenditure account as they become payable.

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

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

### 6 Tangible Fixed Assets

#### (a) Land and Buildings

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

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

#### (b) Equipment and Furniture

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

Motor vehicles and other general equipment	- 20% per annum
Equipment acquired for specific research or other Projects	- *20% per annum
Computer equipment	- 33% per annum

\*(or over the term of the grant)

### (c) Leases

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

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

### 7 Intangible Fixed Assets

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

### 8 Investments

Listed fixed 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

SGUL is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and Section 506 (1) of the Taxes Act 1988. Accordingly, SGUL is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988, or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for exclusively charitable purposes.

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

### 11 Accounting for Charitable donations

#### (a) Unrestricted donations

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

#### (b) Endowment funds

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

- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.

## Statement of Principal Accounting Policies - Continued

---

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

### (c) Donations 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 we have a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 13 Foreign Currency Translation

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

## Consolidated Income & Expenditure account for the year ended 31 July 2009

		Consolidated	Consolidated
	Note	2008/09	2007/08
		£'000	£'000
<b>INCOME</b>			
Funding Council Grants (HEFCE)	1	32,375	31,558
Academic Fees and Support Grants	2	15,657	14,662
Research Grants and Contracts	3	20,209	18,815
Other Operating Income	4	21,860	19,271
Endowment Income and Interest Receivable	5	2,133	1,262
<b>Total Income</b>		<b>92,234</b>	<b>85,568</b>
<b>EXPENDITURE</b>			
Staff Costs	6	53,784	49,793
Depreciation	9	4,710	4,877
Interest and other Finance Costs		831	548
Other Operating Expenses	7	31,013	26,586
<b>Total Expenditure</b>		<b>90,338</b>	<b>81,804</b>
Surplus for the year		1,896	3,764
Transfer to / (from) Accumulated Income in Endowment Funds		69	(46)
Surplus for the Year Retained Within General Reserves	8	1,965	3,718

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

# Statement of total recognised gains & losses for the year ended 31 July 2009

	Note	2008/09	2007/08
		£'000	£'000
Surplus for the year	8	1,965	3,718
New Endowments	14	8	-
Reduction in value of Fixed Asset Investments	9a	(103)	(88)
Reduction in value of Endowment Asset Investments	10	(524)	(436)
<b>TOTAL RECOGNISED GAINS SINCE LAST YEAR</b>		<b>1,346</b>	<b>3,194</b>

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

	2008/09	2007/08
	£'000	£'000
Reconciliation		
Opening reserves and endowments	23,013	19,819
Total recognised gains and losses for the year	1,346	3,194
Closing reserves and endowments	24,359	23,013

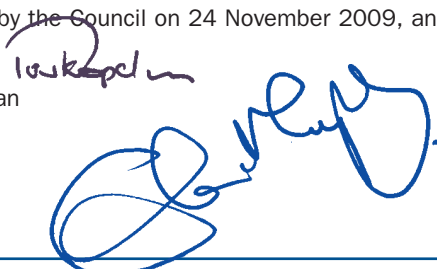
## Balance Sheet for the year ended 31 July 2009

	Note	Consolidated 2008/09 £'000	SGUL 2008/09 £'000	Consolidated 2007/08 £'000	SGUL 2007/08 £'000
<b>Fixed Assets</b>					
Tangible Assets	9	62,476	62,476	60,894	60,894
Investments	9a	638	623	741	726
		63,114	63,099	61,635	61,620
Endowment Asset Investments	10	4,422	3,328	4,970	3,741
<b>Current Assets</b>					
Stocks and Stores in Hand		7	7	4	4
Debtors	11	19,929	19,929	18,124	18,124
Cash at Bank and in Hand		14,962	14,879	14,914	14,832
		34,898	34,815	33,042	32,960
Creditors: Amounts falling due within one year	12	(27,995)	(28,109)	(26,559)	(26,634)
Net Current Assets		6,903	6,706	6,483	6,326
Total Assets less current liabilities		74,439	73,133	73,088	71,687
Creditors: Amounts falling due after one year	12a	(15,909)	(15,909)	(16,230)	(16,230)
<b>NET ASSETS</b>		<b>58,530</b>	<b>57,224</b>	<b>56,858</b>	<b>55,457</b>
<b>Represented by:</b>					
Deferred Capital Grants	13	34,171	34,171	33,845	33,845
<b>Endowments</b>					
Permanent Restricted	14	1,968	874	2,176	947
Permanent Expendable	14	2,454	2,454	2,794	2,794
		4,422	3,328	4,970	3,741
<b>Reserves</b>					
Revaluation Reserve	15	-	-	71	71
General Reserve	15a	19,937	19,725	17,972	17,800
		19,937	19,725	18,043	17,871
<b>TOTAL FUNDS</b>		<b>58,530</b>	<b>57,224</b>	<b>56,858</b>	<b>55,457</b>

The financial statements on pages 24 to 44 were approved by the Council on 24 November 2009, and signed on its behalf by

PRINCIPAL: Professor Peter Kopelman

CHAIR OF COUNCIL: Baroness Elaine Murphy



## Consolidated cash flow statement for the year ended 31 July 2009

	Note	2008/09 £'000	2007/08 £'000
Net Cash Inflow from Operating Activities	17	2,102	2,756
Returns on Investments and Servicing of Finance	18	1,302	714
Capital Expenditure and Financial Investment	19	(3,151)	(4,147)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		253	(677)
Financing	21	(265)	5,203
Increase/(Decrease) in Cash		(12)	4,526

## Reconciliation of net cash flow movement to change in net debt

	Note	2008/09 £'000	2007/08 £'000
Increase in Cash at Bank and in Hand (Decrease)/Increase in Endowment Cash Net (Decrease)/Increase in Cash Movement	10	48 (60) (12)	4,480 46 4,526
Cash inflow from increase in Loan		-	(5,203)
Repayment of Loan		265	-
Change in Net Debt		253	(677)
Net Debt at 1 August 2008		(741)	(64)
Net Debt at 31 July 2009	20	(488)	(741)

1 Funding Council Grants (HEFCE)	2008/09	2007/08
	£'000	£'000
Recurrent Grant	28,656	26,279
Specific Grants		
Access to Learning Fund (Note 22)	88	124
Transfer of Access to Learning Fund to Balance Sheet	(88)	-
Teaching Quality Enhancement Fund	125	125
Higher Education Innovation Fund	884	597
Deferred Capital Grants Released in Year		
Building (Note 13)	2,202	3,487
Equipment (Note 13)	508	946
	<b>32,375</b>	<b>31,558</b>
2 Academic Fees & Support Grants	2008/09	2007/08
	£'000	£'000
Full - time students charged home fees	4,650	3,798
Full - time students charged overseas fees	2,800	2,743
Part time fees	223	285
Non-medical Education & Training funded by NHS	7,828	7,625
Short Courses Fees	156	211
	<b>15,657</b>	<b>14,662</b>
3 Research Grants & Contracts	2008/09	2007/08
	£'000	£'000
Research Councils	1,297	1,178
Other UK Central Government bodies	1,925	2,083
UK industry and commerce	1,212	782
UK based charitable bodies	9,571	9,145
Overseas	2,832	3,136
Other sources	1,040	417
EU Grants	1,636	1,356
UK Health & Hospital Authorities	390	290
EU Other	225	227
Released from deferred grants (Note 13)	81	201
	<b>20,209</b>	<b>18,815</b>
4 Other Operating Income	2008/09	2007/08
	£'000	£'000
Residences and conferences	1,353	1,261
Services rendered	16,141	14,640
Released from deferred capital grants (Note 13)	92	163
Other income	4,274	3,207
	<b>21,860</b>	<b>19,271</b>
5 Endowments Income & Interest Receivable	2008/09	2007/08
	£'000	£'000
Income From Endowment Asset Investments (Note 14)	163	215
	163	215
Other Investment Income (Note 18)	1,970	1,047
	<b>2,133</b>	<b>1,262</b>



## Notes to the Accounts - Continued

### 6 Staff Costs

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

	2008/09	2007/08
	Number	Number
Teaching and Research Activities	462	457
Teaching Support services	277	264
Income generating Activities	11	11
Catering and residences	2	2
Administration and Central services	115	103
Premises	31	23
Other	40	31
	<b>938</b>	<b>891</b>

Staff Costs for the above persons:

	2008/09	2007/08
	£'000	£'000
Wages and salaries	44,949	41,449
Social Security costs	3,788	3,586
Other pension costs	5,047	4,758
	<b>53,784</b>	<b>49,793</b>
Teaching and Research Activities	30,725	30,104
Teaching Support services	13,577	12,136
Income generating Activities	549	527
Catering and residences	86	54
Administration and Central services	6,087	5,267
Premises	1,481	915
Other	1,279	790
	<b>53,784</b>	<b>49,793</b>

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

	2008/09	2007/08
£100,001 - £110,000	5	13
£110,001 - £120,000	8	7
£120,001 - £130,000	5	6
£130,001 - £140,000	5	3
£140,001 - £150,000	1	5
£150,001 - £160,000	7	8
£160,001 - £170,000	7	6
£170,001 - £180,000	4	3
£180,001 - £190,000	4	1
£190,001 - £200,000	-	3
£200,001 - £210,000	1	-
£210,001 - £220,000	-	-
£220,001 - £230,000	1	-
£230,001 - £240,000	1	-
£240,001 - £250,000	-	-
£250,001 - £260,000	1	-
	<b>50</b>	<b>55</b>

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

### 6 Staff Costs - continued

	2008/09	2007/08
	£'000	£'000
Emoluments of the Principal		
Salary	168	159
NHS Distinction	58	56
Pension Contributions	32	18
<b>TOTAL EMOLUMENTS</b>	<b>258</b>	<b>233</b>

Principal's salary for 2007/08 comprised of the principal and that of the acting principal.

### 7 Other Operating expenses

	2008/09	2007/08
	£'000	£'000
Teaching activities	5,161	4,406
Research activities	7,239	6,383
Administration	1,584	1,583
Fellowships, Scholarships & Prizes	195	236
Premises costs	5,541	5,882
Services Rendered	2,230	2,163
General Education Expenditure	4,278	2,392
Internal Auditors Remuneration	65	49
External Auditors Remuneration in respect of Audit Services	60	85
External Auditors Remuneration in respect of Subsidiaries	-	5
External Auditors Remuneration in respect of Other Services	64	101
Residences & Conferences Operating expenses	746	478
Development of Merger Proposal	395	-
Grants to Student Union	228	192
Other Expenses	2,988	2,332
Hire of other assets - operating leases on photocopiers	119	119
Staff development	120	180
	<b>31,013</b>	<b>26,586</b>

### 8 Surplus on Continuing Operations

	2008/09	2007/08
	£000	£000

The surplus on continuing operations for the period is made up as follows:

Surplus for the year	1,923	3,676
Surplus generated by St George's Estates Ltd and transferred to St George's University of London	42	42
	<b>1,965</b>	<b>3,718</b>

## Notes to the Accounts - Continued

9 Tangible Assets SGUL & Consolidated	Freehold	Long Leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Valuation/Cost					
At 1st August 2008	18,357	54,920	9,186	620	83,083
Additions (Note 19)	787	2,428	742	2,411	6,368
Transfers	671	(632)	326	(365)	-
Disposals	-	(276)	(322)	-	(598)
At 31 July 2009	19,815	56,440	9,932	2,666	88,853
Depreciation					
At 1st August 2008	311	15,623	6,255	-	22,189
Charge for Year	409	2,987	1,314	-	4,710
Transfer	7	(394)	387	-	-
Eliminated on disposal	-	(276)	(246)	-	(522)
At 31st July 2009	727	17,940	7,710	-	26,377
Net Book Value					
At 31 July 2009	19,088	38,500	2,222	2,666	62,476
At 31st July 2008	18,046	39,297	2,931	620	60,894

Capitalised interest in 2008/09 was £nil (2007/08: £297k)

The cost of land within freehold is £1,150k

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

	2008/09	2007/08
	£'000	£'000
Deferred grant released	2,883	3,582
General Income	1,827	1,295
	4,710	4,877

9a Investments	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
At 1st August 2008	741	726	830	815
Additions at Cost (Note 19)	-	-	318	318
Disposals (Note 20)	-	-	(319)	(319)
Revaluation (unrealised)	(103)	(103)	(88)	(88)
At 31st July 2009	638	623	741	726
Represented by:				
Unit Trusts	638	623	741	726
	Cost	Cost		
<b>SUBSIDIARY COMPANIES</b>	2008/09	2007/08		
	£	£		
St George's Enterprise Limited (100% owned)	2	2		
St George's Estates Limited (100% owned)	2	2		
	4	4		

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

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

10 Endowment Asset Investments	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
Balance at 1st August 2008	4,970	3,741	5,406	4,012
Additions (Note 19)	-	-	1,347	898
Disposals (Note 19)	-	-	(1,393)	(944)
Movement in cash balances (Note 20)	(24)	(60)	46	46
Unrealised gain on Revaluations	(524)	(353)	(436)	(271)
Balance at 31st July 2009	4,422	3,328	4,970	3,741
Represented by:	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
Equities	3,701	2,607	4,189	2,960
Bank Balances	721	721	781	781
Endowment Asset Investments	4,422	3,328	4,970	3,741
<b>11 Debtors</b>	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
Research Grant balances	10,110	10,110	7,456	7,456
St. Georges Healthcare NHS Trust	1,416	1,416	1,807	1,807
Other debtors	6,514	6,514	8,085	7,852
Accrued Income	1,503	1,503	535	535
Prepayments	386	386	241	241
Amounts due from Subsidiary Undertakings	-	-	-	233
	19,929	19,929	18,124	18,124
<b>12 Creditors: Amounts falling due within one year</b>	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
Bank Loan	279	279	265	265
Research grants and contracts	15,618	15,618	12,719	12,719
Social Security and Other Taxation Payable	1,677	1,677	1,690	1,690
St George's Healthcare NHS Trust	1,024	1,024	668	668
Other Creditors	6,927	6,885	7,737	7,694
Accruals and Deferred Income	2,470	2,470	3,480	3,480
Amounts due to Subsidiary Undertakings	-	156	-	118
	27,995	28,109	26,559	26,634
<b>12a Creditors: Amounts falling due after one year</b>	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
Bank Loan	15,892	15,892	16,171	16,171
Deferred income from lease assignment	17	-	59	-
Amounts due to Subsidiary Undertakings	-	17	-	59
	15,909	15,909	16,230	16,230
	Consolidated 2008/09	SGUL 2008/09	Consolidated 2007/08	SGUL 2007/08
	£'000	£'000	£'000	£'000
The bank loan is payable as follows:				
In one year or less	279	279	265	265
Between one and two years	293	293	279	279
Between two and five years	972	972	928	928
In five years or more	14,627	14,627	14,964	14,964
Total	16,171	16,171	16,436	16,436

SGUL has fully drawn down a loan of £16.5m from Barclays Bank, repayable over 30 years to finance construction of a new hall of residence. The amount drawn at 31 July 2009 was £16,171k (2008:£16,436k), with £15,892k (2008:£16,171k) due beyond one year. The loan is unsecured.

## Notes to the Accounts - Continued

### 13 Deferred Capital Grants

	Funding Council	Other Grants	Total
	£'000	£'000	£'000
Consolidated & SGUL			
At 1st August 2008			
Building	27,583	4,754	32,337
Equipment	1,155	353	1,508
Total	28,738	5,107	33,845
Income:			
Building	3,209	-	3,209
Equipment	-	-	-
Total	3,209	-	3,209
Released to Income and Expenditure:			
Building (Note 1)	(2,202)	(92)	(2,294)
Equipment (Notes 1, 3 and 4)	(508)	(81)	(589)
Total	(2,710)	(173)	(2,883)
At 31 July 2009			
Building	28,590	4,662	33,252
Equipment	647	272	919
Total	29,237	4,934	34,171

### 14 Endowments

Consolidated and SGUL	Consolidated			SGUL		
	Permanent Restricted	Permanent Expendable	Total	Permanent Restricted	Permanent Expendable	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Value	2,137	2,836	4,973	908	2,836	3,744
Accumulated Income	39	(42)	(3)	39	(42)	(3)
At 1st August: 2008	2,176	2,794	4,970	947	2,794	3,741
New Endowments	-	8	8	-	8	8
(Depreciation) of SGUL Investments	(86)	(267)	(353)	(86)	(267)	(353)
(Depreciation) of Eleanor Peel Investments	(171)	-	(171)	-	-	-
Income for the Year (Note 5)	68	95	163	32	95	127
Expenditure for the Year	(19)	(176)	(195)	(19)	(176)	(195)
At 31st July 2009	1,968	2,454	4,422	874	2,454	3,328
Represented by:						
Capital Value	1,880	2,577	4,457	822	2,577	3,399
Accumulated Income	88	(123)	(35)	52	(123)	(71)
	1,968	2,454	4,422	874	2,454	3,328

	Note	2008/09	2007/08
<b>15 Revaluation Reserve</b>			
Movements on SGUL and the Consolidated revaluation reserve	£'000	£'000	
At 1st August 2008		71	159
Revaluation (unrealised)		(71)	(88)
At 31 July 2009		-	71
<b>15a Movement on General Reserve</b>			
		2008/09	2007/08
		£'000	£'000
At 1st August 2008		17,972	14,254
Surplus on continuing operations	8	1,965	3,718
At 31 July 2009		19,937	17,972
<b>16 Capital Commitments</b>			
Consolidated & SGUL		£'000	£'000
Building commitments contracted at 31 July 2009		5,818	1,586
<b>17 Reconciliation of Consolidated Operating Surplus to net cash from operating activities</b>			
		2008/09	2007/08
		£'000	£'000
Surplus		1,965	3,718
Depreciation	9	4,710	4,877
Deferred Capital Grants released to Income	13	(2,883)	(4,797)
Investment Income	18	(1,970)	(1,047)
Endowment Income	18	(163)	(215)
Interest paid on Bank Loan	18	831	548
(Increase)/Decrease in Stocks		(3)	51
(Increase)/Decrease in Debtors	11	(1,805)	882
Increase/(Decrease) in Creditors (excluding loans)	12 & 12a	1,388	(1,261)
Revaluation of Fixed Asset Investments taken to Expenses	9a	32	-
Net Cash Inflow from Operating Activities		2,102	2,756
<b>18 Return on Investment &amp; Servicing of Finance</b>			
		2008/09	2007/08
		£'000	£'000
Income from Endowments	5	163	215
Other Investment Income			
Income on Investments		22	30
Interest on Cash Deposits		423	673
Foreign Currency Exchange Gain		1,525	344
	5	1,970	1,047
Interest Paid on Bank Loan		(831)	(548)
Net Cash Inflow / (Outflow) from Returns on Investment and Servicing of Finance		1,302	714

## Notes to the Accounts - Continued

19 Capital Expenditure & Financial Investment		2008/09	2007/08
		£'000	£'000
Tangible Assets Acquired	9	(6,368)	(9,325)
Fixed Asset Investments Acquired	9a	-	(318)
Endowment Assets Received	10	8	-
Endowment Asset Investments Acquired	10	-	(1,347)
Total Fixed and Endowment Asset Investments Acquired		(6,360)	(10,990)
Receipt from sale of Fixed Asset Investments	9a	-	319
Receipt from sale of Endowment Asset	10	-	1,393
Deferred Capital Grants received	13	3,209	5,131
		(3,151)	(4,147)

### 20 Analysis of changes in net debt Consolidated & SGUL

	At 1 August 2008	Cash Flow 2008/09	31 July 2009
	£'000	£'000	£'000
Cash at Bank and In Hand	14,914	48	14,962
Endowment Asset Investment (Note 10)	781	(60)	721
Bank Loan	(16,436)	265	(16,171)
	(741)	253	(488)

### 21 Changes in financing during the year

Consolidated & SGUL	2008/09	2007/08
	£'000	£'000
Debt Due within one year		
Bank Loan (Note 12)	-	265
Debt due beyond one year		
Bank Loan (Note 12a)	-	4,938
Repayment of Loan Capital in the Year	(265)	-
Net cash (outflow)/inflow from financing	(265)	5,203

### 22 Access Funds

	2008/09	2007/08
	£'000	£'000
Grant from HEFCE	88	124
Interest received	-	-
Grants to students	(88)	(123)
Balance refundable to HEFCE	-	1

The funding council 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.

### 23 Related Party Transactions

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

The Faculty of Health and Social Care Sciences provides education for nursing, midwifery and other Allied Health Professions. The Dean of the Faculty is a member of the Executive Management Committee. Under the terms of the Joint Arrangement Agreement, the assets, liabilities, income and expenditure of the Faculty are divided equally between SGUL and Kingston University. Our share of the gross income from the contract is recorded under Academic Fees and Support Grants in Note 2, and expenses are included under the appropriate expenditure heading.

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

### 24 Pension Schemes

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

#### USS

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the institution has 404 active members participating in the scheme.

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

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

Standard mortality tables were used as follows:

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



## Notes to the Accounts - 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 £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

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

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

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

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 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

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 finding 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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from 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. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

At 31 March 2009, USS had over 130,000 active members and the institution had 404 active members participating in the scheme.

The total pension cost for the institution was £2,523,016 (2008: £2,276.613) This includes £313,529 (2008: £301,597) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

The employer's contribution rate will increase to 16% in October 2009.

## Notes to the Accounts - Continued

### SAUL

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

	Past Service	Future Service
Investment 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	13.0%	

\*excluding an allowance for promotional increases.

The total pension cost for SGUL was £689,358 (2008: £627.872).

### NHSS

The NHSS is funded centrally by the Treasury on a current cost basis. The pension cost charged to the income and expenditure account for the year was £1,254,604 (2008: £1,285,867). It is an unfunded, multi-employer scheme and as such it is likely that it is not possible to identify SGUL's share of the assets and liabilities and it is therefore accounted for on a contributions basis. Surpluses or deficits which arise at future valuations may impact on the Institutions future contribution commitment.

A formal valuation of the scheme last took place on 31 March 1999 and the employers' rate is 14%. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis.

### Royal Borough of Kingston upon Thames Pension Fund

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

The scheme currently has a deficit and whilst it is not possible to consistently and reasonably identify the share of this deficit, there is a potential liability in future years if the deficit continues.

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

### 25 Operating Leases

SGUL has entered into non cancellable operating leases for its photocopiers. The charge to expenses for the year ended 31st July 2009 was £7k (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 2008/09 £'000	Consolidated and SGUL 2007/08 £'000
Within 1 year	119	119
Between one and five years	79	198
After 5 years	-	-
	<b>198</b>	<b>317</b>