KING'S *College* LONDON

Financial Statements

for the year to 31 July 2013

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Chairman's foreword

I am pleased to present the Review and Accounts for King's College London for the year ended 31 July 2013.

The operating surplus for the College for the year just ended was £9.6m. This is a considerable reduction from the previous year, of £34m. The 2012–13 financial year is the first year of the introduction of the new financial regime with the end of regular capital grants to institutions.

The fund-raising campaign has had another very successful year and a total of £463m has been raised or pledged at end July 2013. The target for the campaign has been to raise £500m by 2015.

In order to continue to improve our facilities and the student experience, King's has an ambitious capital investment programme of some £660m over the next five years. Plans include major investment in our Strand Campus and a significant expansion in student residential accommodation.

The funding and economic environment in which we operate continues to change. The College is in a strong financial position but must continue to generate surpluses in order to finance future capital expenditure.

Shortly after the financial year end, the results of the Quacquarelli Symonds World University Rankings were published which ranked the College among the top 20 universities in the world, with particular strength in employability and international outlook as well as general academic reputation. For the third year running, King's retained its position in this table of sixth among UK institutions.

Professor Sir Richard Trainor retires as Principal at the end of the academic year 2013–14 after ten years. In next year's Review I will wish to express the gratitude of the College for Professor Trainor's contribution to the advancement of King's since 2004.

We announced in July that the Council has appointed Professor Edward Byrne as the new Principal from the start of the academic year 2014–15. Professor Byrne is currently President and Vice-Chancellor at Monash University, the largest university in Australia. We look forward to welcoming him to King's next autumn.

The Marquess of Douro
Chairman of Council

Council and Council committee membership 2012–13

Council

The Marquess of Douro OBE DL *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Adam Boulton FKC
Mr Thomas Clayton
Dr Angela Dean
The Hon Sir David Foskett FKC
Rt Revd Christopher Hill, Bishop of Guildford
Professor Keith Hoggart FKC
Professor Brian Holden Reid FKC
Mr John Kampfner
Ms Ros King
Professor Sir Robert Lechler KBE FKC
Professor Eeva Leinonen *[until November 2012]*
Professor Michael Marber
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG FKC *[Vice-Chairman]*
Mr James Ritblat FKC
Mr Andrew Summers CMG
Mr Rory Tapner FKC *[Honorary Treasurer]*
Veena, Lady Williams of Mostyn
Professor Alison Wolf CBE

Chairman's Committee

The Marquess of Douro OBE DL *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Adam Boulton FKC
Professor Keith Hoggart FKC
Professor Sir Robert Lechler KBE FKC
Professor Eeva Leinonen *[until November 2012]*
Mr Chris Mottershead
Sir Michael Pakenham KBE CMG FKC *[Vice-Chairman]*
Mr James Ritblat FKC
Mr Andrew Summers CMG
Mr Rory Tapner FKC *[Honorary Treasurer]*

Finance Committee

Mr Rory Tapner FKC *[Chairman; Honorary Treasurer]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Tony Collyer
Mr Ian Creagh FKC
Dr Angela Dean *[from December 2012]*
Mr Michael Kier
Mr Stephen Large
Mr Richard North
Mr Michael Urmston
Professor Alison Wolf CBE

Audit and Compliance Committee

Mr Andrew Summers CMG *[Chairman]*
Professor Susan Brain
Professor Brian Holden Reid FKC
Mrs Sarah Hopwood
Ms Ros King *[from December 2012]*
Mr Keith Little
Mr Paul Mitchell
Ms Angela Pober

Investment Subcommittee

Mr Patrick Disney FKC *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mrs Blondel Cluff FKC
Dr Angela Dean *[from November 2012]*
Mr John Harrison
Mr Patrick Johns
Mr Stephen Large
Mr Mark Laurence
Mr David Potter FKC

Estates Strategy Committee

Mr James Ritblat FKC *[Chairman]*
Professor Sir Richard Trainor KBE FKC *[Principal]*
Mr Ian Caldwell
Mr Ian Creagh FKC
Mr David Cripps
Mr Ian Ellis
Professor Keith Hoggart FKC
Mr John Kampfner *[from December 2012]*
Mr Stephen Large
Professor Sir Robert Lechler KBE FKC
Mr Daniel Peltz FKC *[from December 2012]*

Operating and financial review for the year ended 31 July 2013

Sustainability facts

	2012–13	2011–12
Surplus on ordinary activities	£9.6m	£31.5m
Total income	£586.9m	£554.2m
EBITDA %[1]	5.2%	11.3%
Historical cost surplus	£9.6m	£43.6m
Historical cost surplus as a % of income	1.6%	7.9%
Discretionary reserves as a % of income	46.4%	43%
External borrowings as a % of income	29.8%	31.8%
Net cash flow as a % of income	9%	7.8%
Net liquidity days	130 days	162 days
Staff costs as a % of income	59.6%	58.6%
Undergraduate student satisfaction[2]		
with teaching	86%	82%
with course overall	81%	86%
Graduate student satisfaction		
with teaching	86.7%	86.6%
with course overall	87.5%	87.4%
Undergraduate average entry tariff[3]	358.8	357.1
Student employability[4]	94%	95%
Research: new and renewed awards (forward order book)	£197.1m	£186.9m
Fund-raising: new cash and pledges	£32.1m	£38.1m

1 EBITDA: earnings before interest, tax, depreciation and amortisation and abnormal items expressed as a proportion of income.
2 Percentage of respondents whose experience met or exceeded expectations.
3 Undergraduate entrants' average tariff points based on the best three A levels.
4 UK and EU undergraduates in work or further study six months after completing their course; these indicators are one year in arrears, as 2012–13 data are not available until December 2013.

5,664 employees

25,187 students

£164m income from research grants and contracts

£40.2m fund-raising

£9.6m surplus for investment

Operating highlights

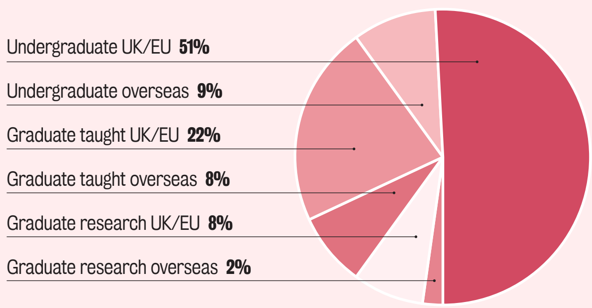
The recent changes in higher education funding create both opportunity and challenge. Institutions are still feeling their way through this more competitive landscape and the picture is far from settled, with the sector facing considerable uncertainty as regards future funding policy, particularly with a general election on the horizon and the main political parties holding different positions.

The 2012–13 admissions cycle was the first year of the new fees regime, with charges for UK and EU students rising from £3,375 to £9,000 and partial deregulation of the market for the very best students (typically with grades AAB at A level). Sector press comments indicated that a possible movement in grade boundaries together with the new fees regime led to a decrease in the number of applicants for places in 2012, and some Russell Group universities were adversely affected. King's had planned for growth in specifically targeted subject areas where expansion was needed to improve performance and maintain competitiveness; it also raised the entry tariff across a wide range of programmes to continue to increase quality. Under these circumstances it was pleasing that the College met its UK and EU intake targets. The market for UK graduate taught students was more difficult, with a number of academic areas missing their planned numbers of new starters.

Early indications for the 2013–14 admissions cycle are similar; it seems that increased levels of undergraduate student debt may be affecting the appetite for further study somewhat earlier than predicted.

Against a background of higher student expectations, King's has launched several major capital investment projects to upgrade the experience of its students significantly. It acquired a 14-year lease on the Virginia Woolf Building on Kingsway, Aldwych, to provide high-quality academic space close to the main Strand Campus. This will allow for flexibility around the estate as the College progresses its expansion plans and finalises the longer-term strategy for redevelopment of the Strand Campus.

Students by category, December 2012



King's identified the need for an additional 2,000 student bed spaces to recruit good-quality students and meet the College's growth aspirations. A number of options have been explored and in April 2012 it secured an option to acquire Mulberry Park in Canada Water, which allowed 18 months for arranging appropriate planning consent. Shortly after the financial year end Southwark Council granted planning permission, and the College is now reviewing the most appropriate funding structure (see 'Investment in student facilities' below).

King's continues with preparations for the Research Excellence Framework (REF), a system used by higher education funding bodies to assess research quality in UK higher education institutions. The next REF will take place in 2014, with results published in mid December 2014. Its outcome will affect funding for the College from 2015–16. King's has further strengthened the academic faculty over the past few years as part of its strategy to enhance the student experience and the quality of research. (See 'Research' below.)

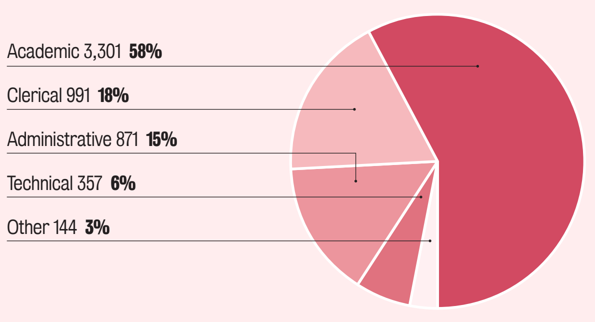
The College continues to take an active role in King's Health Partners (KHP, the partnership between King's College London and Guy's and St Thomas', King's College Hospital, and South London and Maudsley NHS Foundation Trusts). A full business case that tests the benefits of a merger between the Foundation Trusts and closer academic integration with King's is to be presented to the KHP Partnership Board in January 2014. In the meantime the partnership continues to develop collaborations in which world-class research, education and clinical practice are brought together for the benefit of patients.

Close collaboration delivered two major awards announced shortly after the financial year end:

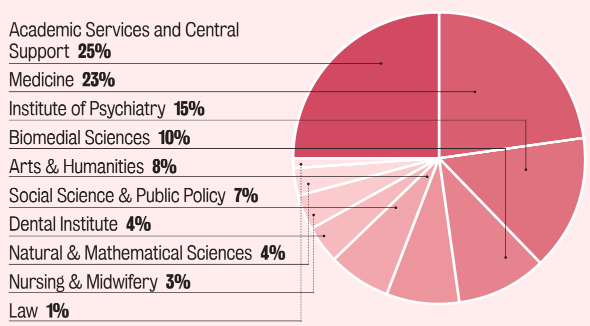
- On 9 August 2013 the Department of Health awarded £9m to fund the National Institute for Health Research (NIHR) Collaboration for Applied Health Research and Care (CLAHRC) South London. CLAHRC will receive matched funding from the local partners, taking the total to £18m over five years. The collaboration pools the clinical and research expertise of both the NHS and universities in south London, as it brings together KHP with St George's Healthcare NHS Trust and St George's, University of London, as joint leaders. The money will help ensure that patients benefit from innovative treatments and techniques that could revolutionise future healthcare. Researchers will work together to investigate new methods of preventing and treating chronic diseases such as stroke, and will tackle public health issues, including alcohol-related harm.
- In October David Willetts, Minister for Universities and Science, announced that King's will receive £15m to develop a Research and Innovation Hub within the new Cancer Centre at Guy's Hospital, which is being developed by Guy's and St Thomas' in partnership with Guy's & St Thomas' Charity and Dimbleby Cancer Care. Scheduled to open in 2016, the centre will combine first-class clinical care with groundbreaking research. Through the Research and Innovation Hub scientists will be able to collaborate with clinicians, health professionals and patients as they develop technologies and conduct research which will drive the discovery of causes, treatment and, ultimately, cures for cancer. The hub will also act as a focal point for collaboration with other research organisations and industry to develop commercial products that address cancer care.

The Quacquarelli Symonds (QS) World University Rankings placed King's among the best 20 universities in the world in 2012–13. Their system compares the top 800 international institutions across broad areas of interest to prospective students: research, teaching, employability and international outlook. The College's position of nineteenth is an improvement of seven places on the previous year's ranking and its highest placement since the league table was established in 2004 (when it ranked 96th). For the third year running, King's retained its position in this table of sixth among UK institutions.

Staff numbers by category, 2012-13



Staff by School, 2012-13



College's position in the QS World University Rankings

	2013	2012	Change
Overall	=19	26	↑
Academic reputation	49	51	↑
Employer reputation	45	48	↑
Faculty student	88	78	↓
Citations per faculty	87	116	↑
International faculty	75	66	↓
International students	45	66	↑
By faculty			
Arts & Humanities	14	34	↑
Natural Sciences	195	127	↓
Social Sciences	39	62	↑
Engineering & IT	146	180	↑
Life Sciences	19	24	↑

The Times Higher Education World University Rankings, published in October 2013, showed the College had leapt 19 places, to 38th, joining the top 40 internationally for the first time in this relatively new survey, and moving ahead of Manchester and Edinburgh to take sixth place in the table among UK institutions.

Less satisfactory for King's was its overall performance in the 2013 National Student Survey (NSS) of final-year undergraduate opinion (see 'Teaching and learning' below), which led to a fall in the College's standing in the *Times/ Sunday Times* newly consolidated UK league table from 22nd to 27th.

International

King's has a distinguished reputation for research excellence and collaborative thinking across a diverse range of global activity. In order to continue to enhance the College's position as a world-leading institution, one of its key strategic aims is to continue to expand this range as well as to integrate an international perspective into the entire operations of the College, corresponding to the way that excellence in research and teaching is fully embedded. Its internationalisation aims, based on mutuality and reciprocity, are focused on the following themes:

- University partners: developing institution-wide collaborations with like-minded universities across the globe, based on a shared research vision and excellence that contributes to high-quality teaching and learning programmes. King's currently has seven strategic partners worldwide.
- Joint teaching and research: the College has many dual and joint degree programmes and large numbers of research collaborations.
- Global Institutes: these were established during 2011–12 to encourage interest among King's staff and students in key overseas nations through the development of teaching and research programmes at the College focused on specific nations or regions. There are now six Institutes, five of them regional and one focusing on international development.
- Staff and student mobility: developing more opportunities for staff exchange and supporting King's students as they spend part of their degree programme at a key partner institution overseas.
- International recruitment: attracting talented staff and students from all over the world.
- International alumni: engaging King's alumni around the world in promoting understanding of their nations, assisting these King's students and enhancing the College's global brand.

In February 2013 King's signed a Memorandum of Understanding with Kuwait Life Sciences Company focusing on delivering elite medical education to healthcare professionals in Kuwait and other countries in the Gulf region; it encompasses paediatrics, imaging, education for surgeons and dietetics. This partnership reflects the College's expanding global network in the health and biomedical sciences, building on its world-leading expertise in cancer, neuroscience and mental health.

In April 2013 the Tagore Centre for Global Thought was officially inaugurated at King's in a ceremony attended by Chandresh Kumari Katoch, Honourable Minister of Culture, Government of India, and Dr Virander K Paul, Deputy High Commissioner of India in London. Housed in the prestigious King's India Institute, the centre has been established to engage audiences with India's intellectual traditions while addressing contemporary global dilemmas. It was founded in partnership with the Ministry of Culture, Government of India, as part of celebrations to mark the 150th anniversary of Tagore's birth, taking inspiration from his work with the aim of enhancing academic, intellectual and philosophical work globally.

In June 2013 King's ran its first Delhi Summer School at Miranda House College, one of the most prestigious institutions of the University of Delhi, in partnership with Think Education. King's also launched its 2013 international Summer Schools programme in Mumbai, following its successful inaugural Summer School in that city the previous year. The event, attended by faculty from King's and the principals of the city's leading undergraduate colleges, was held at Jai Hind College, which co-hosted the Summer School with HR College of Commerce & Economics.

Academia is becoming ever more global in reach and impact, not least in that UK students are increasingly willing to travel abroad to study. China's stated 'talent strategy' aims to increase the number of graduates entering the labour force by 10m annually for the next seven years, and by 2020

China alone will account for 29% of all university graduates aged 25–34 in the world. It also plans to have 100 globally competitive universities of its own by 2030. It is expected that the Indian market will continue to be affected by negative news stories and UK Border Agency visa restrictions; in 2012–13 the Russell Group factored in an overall decrease of around 600 Indian students. Africa, which is home to 15% of the world's population, may be a significant future market, and six of the world's fastest growing economies in 2001 to 2010 were African; King's is considering how to respond to this.

The College's overseas market is growing correspondingly, and the UK government predicts 7% annual growth in the value of UK education exports through to 2017 within a sector worth £3.6bn in higher education tuition fees. While there is overall growth in demand from international students, the global financial crisis and recession are having an impact on recruitment as individuals fear taking on debt without certainty of future paid work. This especially affects undergraduate and graduate programmes not linked to professions or clear employment destinations.

Teaching and learning

Speaking in 2012, minister David Willetts said, 'The UK must be at the forefront of developments in education technology. Massive Open Online Courses present an opportunity for us to widen access to, and meet the global demand for, higher education. This is growing rapidly in emerging economies like Brazil, India and China.'

King's has joined the FutureLearn online higher education initiative led by the Open University, which provides students from the UK and around the world with free access to some of the country's top universities. Other partners include the universities of Birmingham, Bristol, Cardiff, East Anglia, Exeter, Lancaster, Leeds, St Andrews, Southampton and Warwick. The aims of FutureLearn, an independent company majority-owned by the Open University and launched in September 2013, are:

- to bring together a range of free, open, online courses from leading UK universities that are clear, simple to use and accessible;
- to draw on the Open University's expertise in delivering distance learning and pioneering open education resources to underpin a unified, coherent offer from all of its partners; and
- to increase accessibility to higher education for students across the UK and in the rest of the world.

The College has invested in two initial courses from the Department of War Studies and the Institute of Psychiatry – areas that combine an international research reputation with established expertise in distance learning. The first course, 'Causes of War', will go live on the platform in early 2014 and has already attracted more than 3,500 pre-registrations.

King's is the best university in the UK for graduate employment, according to the 2013 Sunday Times University Guide. The award is based on two indicators: the proportion of graduates in graduate-level jobs and the level of graduate unemployment. 91.9% of King's students secure graduate-level jobs when they leave, and the College's graduate unemployment rate is just 4.5%, the lowest among higher education institutions in London. Its strong employment record was confirmed earlier this year when the Higher Education Statistics Agency (HESA) published its institutional Employment Performance Indicators for the percentage of full-time, first-degree, UK-domiciled graduates in work or further study; King's is currently ranked highest in the Russell Group with an employment rate of 94%, and this is testament to the commitment the College has made to ensure that its students develop the right skills to succeed in the workplace.

Less satisfactory for King's was the College's overall performance in the 2013 National Student Survey (NSS) published in July 2013, which surveys final year undergraduate opinion. Many parts of the College did well in the 2013 NSS and it made several percentage points of improvement in 'feedback and assessment'. However, the College's rating on the overall satisfaction question fell by 1% as the sector advanced by 1%.

National Student Survey: satisfaction scores

	2013 Sector	2013 College	2012 Sector	2012 College	2011 College	2010 College	2009 College
Teaching on my course	87%	86%	86%	86%	87%	88%	85%
Assessment and feedback	71%	61%	69%	58%	60%	61%	57%
Academic support	80%	75%	79%	75%	76%	74%	72%
Organisation and management	78%	74%	78%	75%	73%	73%	68%
Learning resources	85%	83%	82%	84%	86%	81%	85%
Personal development	82%	78%	81%	80%	81%	79%	80%
Overall satisfaction	86%	81%	85%	82%	84%	86%	83%

A vigorous programme of action, affecting every part of King's, is already underway to address its performance in the survey. It builds on the lessons learned from the many parts of the institution that were rated well in the NSS and from the College's positive performance in the analogous survey of graduate (taught) students, which showed improvements in each category:

Graduate (taught) students: % met or exceeded expectations

	College 2013	Russell Group 2013	College 2012
Quality of teaching and learning	86.7%	86.5%	86.6%
Assessment and feedback	76.8%	79.1%	72.5%
Organisation and management	78.4%	83.0%	74.7%
Learning resources	89.1%	91.5%	87.4%
Skills and personal development	90.3%	91.8%	89.4%
Career and professional development	86.6%	87.8%	86.5%
Overall experience of my course	87.5%	89.4%	87.4%

According to data released during the year from the Higher Education Funding Council for England (HEFCE), King's is joint first in England for its PhD completion rates. The results show that more than 86% of those who start full-time research degrees at King's qualify within seven years, compared with the national average of about 73%. The way in which it trains and monitors the progress of its PhD students, who constitute about a tenth of the College's overall student body, is second to none.

In November 2012 the Dickson Poon School of Law at King's launched the biggest-ever scholarship programme for Law in the UK and continental Europe, aimed at the brightest and best students from around the world. An unprecedented 80 scholarships worth over £2m are being offered globally in the first full year of the programme. Uniquely, the scholarships focus on students who demonstrate not only academic excellence, but also outstanding leadership potential and life ambition.

Investment in student facilities

King's has an ambitious vision to expand and it is committed to providing more, better-quality student residential accommodation to meet both current and future demand. With longer-term plans in mind, the College has been actively seeking new locations and exploring potential development sites to accommodate growth to 2026. It has received planning consent from the London Borough of Southwark to develop a site for 770 new student rooms, office space, affordable housing, retail units, a healthcare centre and landscaped public space on the former location of Mulberry Business Park at Canada Water. The site is conveniently located in Zone 2, 10 minutes by tube to central London. It is two tube stops from Guy's Campus and four from Waterloo; four overground stops from both Denmark Hill and the recently redeveloped Honor Oak Park Sportsground, now a state-of-the art sporting and social hub with all-weather pitches, netball court and multimillion-pound sports pavilion.

As part of the strategy to improve provision of student residences, and in association with the modernisation of Denmark Hill Campus, King's College Hall is being redeveloped to upgrade both the quality of the accommodation and the attractiveness of the complex. Students, local residents and other stakeholders were invited to express their preferences regarding the design of the facilities, which are expected to open in September 2014. The library service on the campus is also undergoing a major transformation as the Learning & Teaching Space Improvement Programme assimilates part of the Institute of Psychiatry Library collection with the Weston Education Centre resources, bringing together key biomedical and healthcare materials with mental health and psychiatry literature to create a centre of excellence.

At the College's historic Strand Campus there are plans to redevelop the Quadrangle and its associated buildings: the Quad project will provide an additional 3,700 square metres of teaching space and student facilities. It is hoped that the Quad will be in use in the 2014–15 academic year.

Research

King's continues with preparations for the Research Excellence Framework assessment (REF) that will be taking place in 2014, with results published in mid December 2014. Its outcome will affect funding for the College from 2015–16. A number of high-profile academics have been recruited across all Schools during the past few years in preparation for the REF exercise.

The forward order book of new and renewed awards shows a pleasing 5% growth year on year which bodes well for research income in the future.

Research awards	2012-13 £000	2011-12 £000	Increase
Arts & Sciences Schools	38,770.2	33,379.8	16%
Health Schools	158,011.5	153,378.2	3%
Other	340.6	160.1	113%
Total College	197,122.3	186,918.1	5%

Some notable successes during the year include the following:

- It was announced in September 2012 that the UK Clinical Research Collaboration had awarded the KHP Clinical Trials Unit full clinical trials unit registration in recognition of its expertise in centrally co-ordinating multicentre clinical trials, trial design, data management and analysis. Part of KHP Academic Health Sciences Centre, the trials unit is one of only 46 such trials organisations in the UK to have been awarded this registration during the year.

- In October 2012 researchers at the College's Institute of Psychiatry, in collaboration with the London School of Hygiene and Tropical Medicine and the South London and Maudsley NHS Foundation Trust, were awarded £449,990 by the Department of Health for research into human trafficking.
- An international consortium of scientists, led by the Institute of Psychiatry, launched the global EMERALD (emerging mental health systems in low- and middle-income countries) project. Funded with €5.8m from the EU's Seventh Framework Programme (FP7), EMERALD brings together collaborators from Ethiopia, India, Nepal, Nigeria, South Africa and Uganda. Its key objective is to improve mental health outcomes by enhancing health systems.
- In February 2013 the Chief Medical Officer for England, Dame Sally Davies, opened a new world-leading magnetic resonance imaging facility in the Evelina Children's Hospital at St Thomas' Hospital. The Evelina Newborn Imaging Centre comes under the auspices of the Centre for the Developing Brain at King's, bringing together researchers from the College and clinicians from Guy's and St Thomas' as part of KHP. The centre will improve care for the smallest and sickest babies; allow research into normal brain development and its problems; and enable the testing of new therapies for treating brain damage.
- The European Research Council awarded the College a six-year 'synergy grant' of €15m to map the development of nerve connections in the brain before and just after birth. The Developing Human Connectome Project will use the medical resonance imaging facilities in the Evelina Children's Hospital Neonatal Unit to examine how the brain is affected by genetic variation or problems like preterm birth, providing insights into conditions such as autistic spectrum disorders. The groundbreaking collaboration brings together world leaders in medicine, engineering, computer science and physics from King's, Imperial College London and the University of Oxford.
- King's is part of a European consortium of neuroscientists awarded a grant of more than €1bn, over 10 years, to simulate 'everything we know about the human brain' in supercomputers. The College's Department of Social Science, Health & Medicine is a partner in the Human Brain Project, led by Henry Markram of the Swiss Federal Institute of Technology in Lausanne. The aim of the venture is to stimulate the development of neuromorphic computing, thus facilitating medical advances in the treatment of brain disorders.
- Spring 2013 saw the start of a five-year study, Deciphering the Mechanisms of Developmental Disorders, seeking to identify how defective genes cause birth defects by investigating the underlying molecular mechanisms. The programme is funded by a £5m Strategic Award from the Wellcome Trust and is led by researchers at the Medical Research Council (MRC) National Institute for Medical Research and King's researchers from the MRC Centre for Developmental Neurobiology.
- King's was awarded £500,000 by the MRC and the Technology Strategy Board under the joint £180m Biomedical Catalyst initiative to help progress research ideas towards clinical testing.
- Researchers at the College's Institute of Psychiatry, in collaboration with King's College Hospital NHS Foundation Trust and Epilepsy Action, were awarded £1.3m by the NIHR Health Technology Assessment Programme to study the effectiveness of self-management education for adults with epilepsy.
- In November 2012 the Wellcome Trust and the MRC announced a £12.75m initiative to create a catalogue of high-quality adult stem cells known as induced pluripotent stem (iPS) cells. Led by King's and the Wellcome Trust Sanger Institute, the research will provide a knowledge base to underpin the use of such cells in studying the effects of genes on health and disease. It will lay the foundations for a new iPS cell bank, providing a world-class resource for UK researchers. The multi-institution project will include collaborations with the universities of Cambridge and Dundee, the European Bioinformatics Institute and University College London.

Several collaborative projects involving King's were highlighted in the Life Sciences Strategy update published by the government in December 2012. The report looks at achievements over the past year and sets out priorities for the future. Among the most important are the following:

- Imanova, a partnership between the MRC, King's, Imperial College London and University College London, was the first organisation to benefit from a commitment to invest in small, state-of-the-art research facilities.
- Co-ordination between London's three Academic Health Sciences Centres, including KHP, became embedded this year, and has provided extended reach to the centres.
- The new MRC-NIHR Phenome Centre was announced, in which King's is a founding academic partner.
- The Cell Therapy Catapult was established at Guy's Hospital, one of the College's partner NHS Trusts.

Sir Paul Nurse, Director of the Francis Crick Institute, unveiled the organisation's strategy at a topping out ceremony for the new buildings in June 2013. The Francis Crick

Institute is a landmark partnership between three of the UK's leading universities – King's, University College London and Imperial College London – and three of the country's largest funders of biomedical research – the MRC, Cancer Research UK and the Wellcome Trust. The Crick will carry out biomedical research to improve understanding of why disease develops and to find new ways to diagnose, prevent and treat a range of illnesses such as cancer, heart disease and stroke, infections and neurodegenerative diseases.

King's received a transformative gift from the Dr Mortimer and Theresa Sackler Foundation to establish the Dr Mortimer D Sackler Chair in Translational Neurodevelopment and the Sackler Institute for Translational Neurodevelopment. The institute will work to transform understanding of how disorders such as autism spectrum disorder, epilepsy and Down's syndrome develop over a lifespan, to improve diagnostic approaches and to develop innovative treatments.

Researchers at King's were awarded £2.52m by the MRC to build a computational model of the brain networks involved in epilepsy, which affects approximately 600,000 people in the UK and is the most common cause of repeated admission to hospital. By combining data from brain scans with electrical recordings of brain waves, the researchers hope to understand the complex mechanisms that result in seizures; catastrophic seizures result in at least 1,000 deaths per year in the UK.

In May 2013 King's received a £7m gift from the family of Malaysian alumnus Mark Yeoh to establish the Yeoh Tiong Lay Centre for Politics, Philosophy & Law, which will be research based. The centre's research findings will underpin the teachings of King's unique Politics, Philosophy & Law LLB (Master of Law) degree, launched in 2012, which allows students to fulfil the requirements of a qualifying Law degree while being able to choose from a range of modules in philosophy and political economy. The generous gift will further build the College's reputation as a dynamic international centre for legal teaching and research in the heart of London.

King's continues to pursue its strategy 'Investing in Strength', and during the year it made a number of significant academic appointments. These individuals will contribute both to the College's teaching and to its research portfolio.

Looking forward, science funding from the UK government has been ring-fenced until 2015–16; there are no solid commitments beyond that, although it is a general expectation that research will remain a priority, even if encouraged and funded through mechanisms that shift the emphasis in the direction of outputs and translational activity. UK spending on research and development is below the Organisation for Economic Co-operation and Development average, currently at 1.7% of gross domestic product (GDP), compared to 2.5% for the USA and Germany; it is unlikely in the current climate that this will change.

The world landscape for research and development investment and productivity is changing; for example, China has recently invested massively and now has as many active researchers as the USA, while coming a close second in terms of finance. The implications of this for funding are unclear, although it should definitely be considered in the context of future collaborative efforts. India and Brazil are also becoming more prominent.

EU research funding is growing. In October 2013 the EU launched the successor to the FP7 research programme, Horizon 2020, which will award €24.6m for science (including a 77% increase in the European Research Council budget) and €17.9m for innovation. Horizon 2020 has increased the emphasis on innovation in the criteria for a successful research application, requiring a strong translational ability to be demonstrated.

Large-scale collaborations across a range of partners have become increasingly important both strategically and in relation to funding. The College will ensure that it is well placed to develop and respond flexibly and dynamically to further opportunities.

There has been and will continue to be a growing emphasis on the outcomes of research and the impact both within and beyond the academic community: on the economy, society, culture, public policy and services, health, the environment and quality of life. For many funders, successful indication of the potential outcomes is one of the criteria for a grant application, particularly for the more applied or translational schemes, and there is an increasing emphasis on relating outcomes of research directly to specific funded projects, as opposed to open-ended, curiosity-driven research.

Widening participation

The College's 'Investing in Strength' document established widening participation as one of eight strategic priorities for the institution. King's has significantly increased resources in this area, doubling central staffing under the guidance of the Widening Participation Strategy Group and establishing a dedicated team for UK schools and colleges liaison which delivers high-quality, bespoke information, advice and guidance sessions. The team plans to deliver 350 school interactions during 2014–15, and King's has more than doubled the number of higher education fairs it is attending.

The College's latest returns to the Office for Fair Access recorded that it far exceeded its 19% milestone for enrolment of full-time first-degree entrants on HEFCE-funded programmes from classes 4 to 7 in the National Statistics age-adjusted Socio-Economic Classification system (NS-SEC), admitting 25%. It also met its target of 4% for students from low-participation neighbourhoods. King's has planned a challenging expansion of its state-school intake from just over 70% at present to 76.3% by 2016–17.

The annual report of the Equality and Diversity Unit shows that black and minority ethnic students made up 37.2% of the total student population; this is one of the highest proportions among the College's Russell Group peers. Furthermore, 52.21% of King's students were aged 21 or over and disability disclosure reached 6.8%.

The College's Widening Participation Department targets activities across a range of projects in a number of ways, including using the POLAR 3 postcode dataset identifying neighbourhoods with low participation in higher education; contextualised school performance; and working with young people who would be the first in their family to access university study. King's has invested in ACORN, a geo-demographic profiling tool which allows it to determine socio-economic disadvantage and respond to the unique challenges of ward-level data in London. All of the schemes give priority places to care-leavers. Each project has a clear evaluation plan to enable the College to learn what succeeds; for instance, three summer schools were introduced in 2013 as a result of clear indications of efficacy from pilot activities in 2011–12.

King's works closely on widening participation with King's College Hospital, Guy's and St Thomas' and South London and Maudsley NHS Foundation Trusts via the KHP Education Academy Widening Participation Committee.

Public benefit and service to society

King's is an 'exempt' charity under the Charities Act 2011 and as such is regulated by HEFCE on behalf of the Charity Commission. The College's objects, as defined in its Charter, are to advance education and promote research for the public benefit. In so doing, King's gives due regard both to its Anglican traditions and to the diverse beliefs and backgrounds of its members. The College considers its mission to be the advancement of knowledge, learning and understanding in service to society.

As the College's trustee, the College Council is responsible for defining the strategic aims of King's and directing the activities of its executive in the furtherance of these objects. When setting objectives and planning activities, the College Council and the executive give careful consideration to the Charity Commission's general guidance and to its supplementary guidance on public benefit. Attention is also paid to guidance issued by HEFCE in its role as principal regulator on behalf of the Commission.

The beneficiaries of the College's charitable activities during the year included:

- the College's undergraduate, graduate taught and graduate research students, who benefit from the education provided by King's in their development as individuals and in their employment prospects (as previously indicated, the College outperformed its peers in graduate employment indicators); and
- society at large (reflected in the College's mission 'in service to society'), which benefits from the advancement of research by King's on its own and in conjunction with strategic partners.

The national Equality Challenge Unit awarded the College its Athena SWAN Bronze Award, which recognises commitment to gender equality in Science, Technology, Engineering, Mathematics and Medicine (STEMM). A number of the STEMM Schools at King's have ambitious plans to build on this success and are intending to apply for a Silver Award next year. Athena SWAN forms part of the College's more general diversity initiative aimed at creating an inclusive culture across King's.

The College continued its involvement in a pan-London mentoring scheme for academic and research staff from black and minority ethnic backgrounds to address the under-representation of such staff at senior levels across its university partners. King's also maintains a Disability Advisory Service to provide support to students and staff and ensure that disability does not become a barrier to access.

In December 2012 the College stated its intention to establish a specialist secondary school for talented young mathematicians aged 16 to 19 as part of the government initiative to improve mathematics education in the state sector and increase the number of mathematically talented young people with the right levels of attainment to study subjects such as Mathematics, Physics, Engineering and Computer Science at top-rated universities. It will be one of a number of university-sponsored, sixth-form-only Mathematics schools, funded by the government, and is expected to open in September 2014. Catering for students who have both exceptional ability in Mathematics and an intense interest in the subject, it will allow them to study with a critical mass of pupils sharing a similar passion for Mathematics. Since the announcement, a head teacher designate has been appointed as the first head of the new King's College London Mathematics School, and work is proceeding on newly identified premises.

In July 2013 the College announced plans for an innovative venue for science and art collaboration at the Guy's Campus. A potential site of 2,000 square metres at the corner of Great Maze Pond and St Thomas Street, opposite the Shard, has been identified for a creative space that will include galleries, a theatre, café, courtyard and informal meeting areas. The venue will generate and host dynamic exhibitions, events, performances and festivals, bringing science, technology and health into dialogue with the arts and design in an unprecedented way.

This leading space for innovation will be free to visit, with a focus on 15–25-year-olds, as King's continues to meet its aim of engaging young people and inspiring them through collaborations between science and art. The College's staff will work with local communities, inviting artists and researchers to contribute ideas, experiment and work together in an environment intended to incubate new approaches. The gallery will showcase the work of people who are established as well as welcoming fresh approaches, in order to stimulate and excite visitors into seeing science and health through the lens of culture.

Reflecting its religious traditions, the College offers students and staff a range of opportunities for religious worship and expression. In addition, it runs the unique Associateship of King's College, a voluntary course open to students and staff of all beliefs and backgrounds, focusing on questions of theology, philosophy, religion and ethics in a contemporary context.

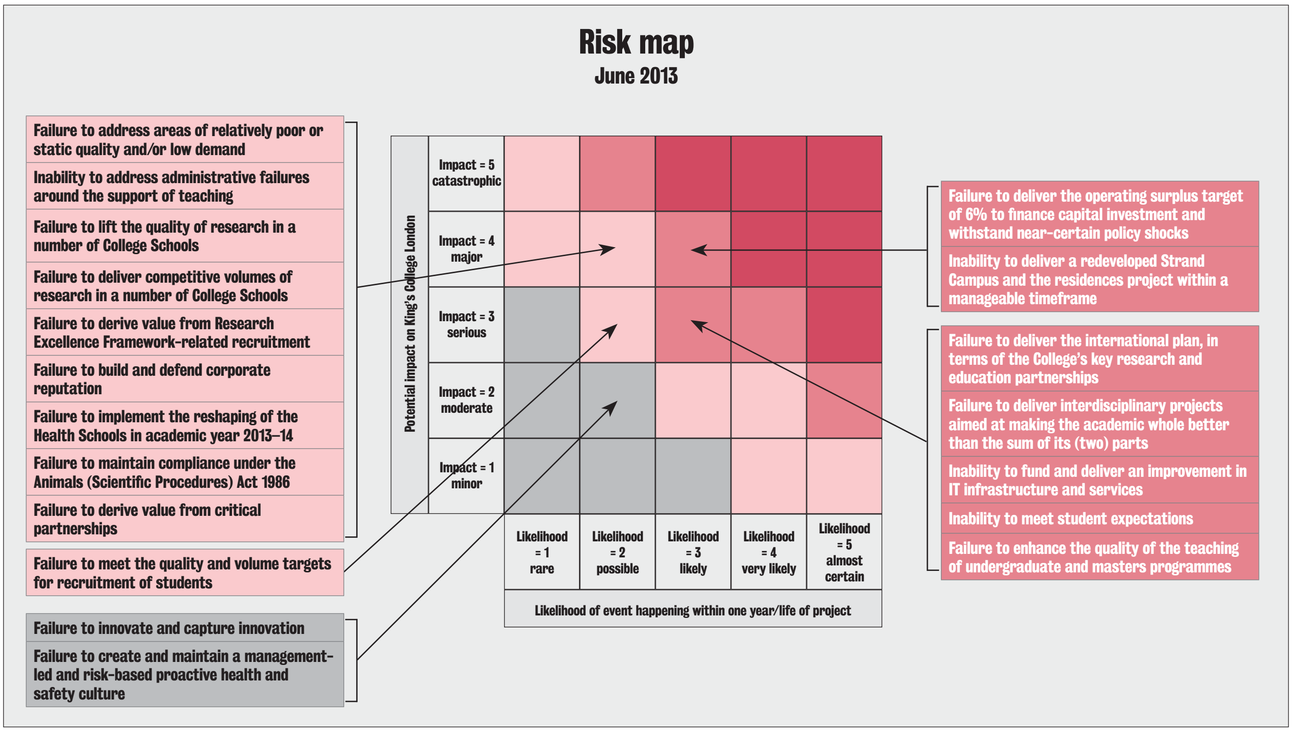
The College has policies and systems in place to ensure that it operates in an environmentally friendly manner, including taking energy-saving measures, managing waste and recycling, and promoting sustainable transport. King's aims to minimise pollution, comply with relevant legislation and encourage all members of the College community to develop a sustainable approach to their work and lifestyle.

Risk management

An annual report that considered the progress made in relation to the management of risk within King's was considered and approved by College Council in June 2013. While many of the risks remained the same or increased during the year, they have been subject to close monitoring and control at a corporate and managerial level. This included a comprehensive exercise aimed at ensuring that the corporate risk register is focused more specifically on key strategic issues. The risk map below summarises these points.

The College regularly plans and forecasts for a range of scenarios; the following are the main financial risk factors.

Key variables	Note	Annual financial impact	Change in assumptions
Reduction in the number of high-quality applicants for undergraduate programmes	1	–£0.3m	Every 1% fall in UK/EU undergraduate intake
Contraction of the market for graduate study	2	–£0.5m	Every 1% fall in graduate intake
Pay costs	3	–£2.3m	Every 1% rise in pay
£9,000 fee for UK/EU undergraduates held for the foreseeable future	4	–£0.9m	Income foregone for every 1% of inflation
Research block grant held at 2012–13 levels		–£0.6m	Income foregone for every 1% of inflation
Reduction in teaching block grants for the highest-cost clinical subjects	5	–£0.4m	Every 1% fall in undergraduate or graduate funding rates



1. The market for both overseas and UK/EU undergraduates continues to be challenging; partial deregulation has resulted in fierce competition for the very best students. Visa regulations and the development of competition in overseas markets add to the complexity.
2. King's always expected that the new fees regime and related levels of student debt would have an impact on the appetite for graduate study, at latest from 2015–16 when the first cohort of the new regime students graduates. In fact, the adverse impact on the UK/EU market was evident in the reduced number of graduate applicants in the 2012–13 admissions cycle. The past two years have been challenging for graduate (taught) recruitment in both the UK/EU and overseas markets. It may be the case that, as students graduate under the £9,000 fee regime and the economy recovers more generally, even fewer students will be attracted to – or see the need to differentiate themselves with – a higher degree. In addition, there will be increasing pressure to do more to widen access to such programmes. This could result in a further contraction of the graduate (taught) market and reduce margins.

   The College's response has been to continue to focus inexorably on the highest quality in all aspects of its activities, with a rolling review of programmes to ensure they offer the best, research-led experience for would-be students. Entry tariffs are set such that only the very best candidates join. The College's investment in its estate ensures that students experience world-class facilities commensurate with an institution of its standing.
3. There have been very modest pay increases for the past four years and, while the economic environment does not yet indicate full recovery, there is a more optimistic feel to economic forecasts which, together with the more competitive world of £9,000 fees, puts greater pressure on the recruitment, retention and rewarding of the best staff.
4. The College's forecasts assume that the UK tuition fee is held at £9,000 for the period to 2017–18, but the 2015 general election introduces a risk that the incoming government might adopt a different policy for higher education funding.
5. King's receives funding from HEFCE for teaching UK/EU students at differing rates depending on the type of programme, with the maximum income for the highest-cost clinical teaching. If these rates are amended for undergraduates and/or graduates the College will be adversely affected.

Value for money

The Audit and Compliance Committee reviews the effectiveness of the College's arrangements for value for money on an ongoing basis. It is fully supportive of internal audit incorporating value-for-money work as a key part of its remit. Value for money is an integral component of the terms of reference for many of the audit reviews undertaken and may relate to issues concerned with improved service delivery, greater effectiveness in procurement practices, greater efficiency in systems and processes, improved management and more effective use of resources. Examples of some of the audit work that has had at least a partial focus on value for money over the past two years include the following:

- procurement policy, procedures and practice
- management of capital expenditure
- resource allocation
- management of cash and cash investments
- cross charging of costs between King's and its partner NHS Trusts
- credit control
- tendering arrangements and awarding of large contracts
- insurance arrangements
- intellectual property rights
- fund-raising
- banking and cashiering arrangements
- student enrolment and fee billing
- travel contract
- energy management
- cleaning contract
- recovery and management of research overheads
- VAT
- staff expenses.

The Audit and Compliance Committee keeps under review the College's arrangements for procurement and has noted the considerable progress made in respect of a number of initiatives, including collaborative procurement, preferred-supplier agreements, the further development of e-commerce, cross-College sharing of good purchasing practice through specialist commodity groups and the operational work carried out in overseeing a range of procurement contracts. Members have noted the continuing efforts to improve the percentage of King's expenditure undertaken through preferred suppliers and are supportive of the Director of Procurement, in liaison with Heads of Schools and Directors of Professional Services, in this respect.

The HEFCE Audit Code of Practice requires the Audit and Compliance Committee to comment on the internal control and risk management systems within the College and its arrangements for securing economy, efficiency and effectiveness. The Committee has reviewed a broad range of internal audit reports as well as reports concerned with purchasing and risk management. It has discussed at length the comments and findings of the external auditors following their annual audit. In addition, the Department of Audit and Business Assurance has conducted a specific review of the system of internal controls for consideration by the

Committee. This included undertaking an assessment of the following key areas, with risk underpinning the process:

- the effectiveness of the key financial and other administrative systems
- the effectiveness of budgeting and financial monitoring processes
- the extent to which managers comply with the College's approved financial regulations and procedures and best-practice guidelines
- the effectiveness of risk management, governance and the arrangements for securing value for money
- data integrity.

Based on the Audit and Compliance Committee's review of internal audit reports, the separate review of the system of internal controls, the external auditors' findings during their work and management's Letter of Representation, committee members were able to support the judgement of management that adequate internal control processes were in place, including those concerned with the control and quality of data, and that the College was seeking continual improvement in that respect. The Committee found that managers throughout King's were committed to ensuring that value-for-money issues were properly considered.

Financial highlights

Scope of the financial statements

The financial results comprise the consolidated results of the College and its subsidiary undertakings. The principal subsidiary, College Facilities Ltd, undertakes major building and related works on behalf of King's.

Results

	2012–13 £000	2011–12 £000
Income	586,948	554,220
Expenditure	577,383	522,707
Surplus on ordinary activities	9,565	31,513
Taxation	–	8
Surplus after taxation	9,565	31,521
Surplus on disposal of property	–	5,060
Profit on sale of shares	–	7,054
Surplus after depreciation and tax	9,565	43,635

	2012–13 £000	2011–12 £000
Surplus on operating activities	4,493	23,055
Impact of FRS17	65	33
Surplus on departmental activities	5,007	8,425
Surplus on ordinary activities	9,565	31,513
Surplus on ordinary activities as a % of income	1.6%	5.7%

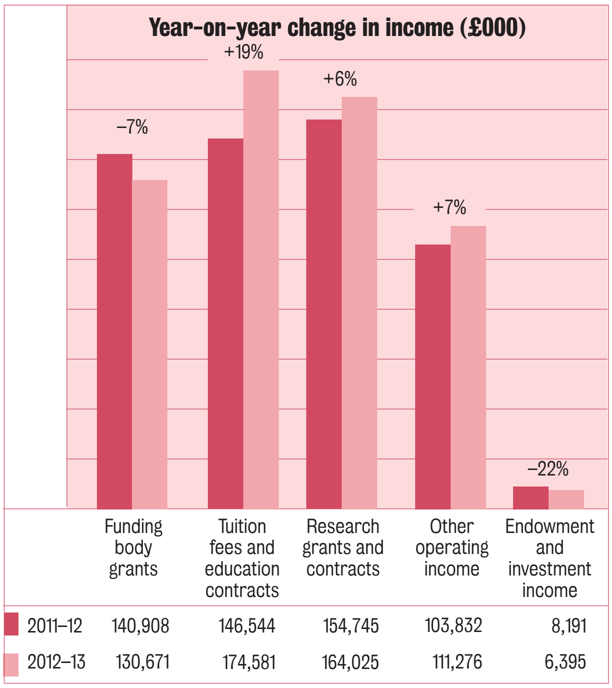
The financial performance for the year shows a more modest surplus after the relatively strong returns of the previous two years. This reflects a combination of the anticipated reductions to the HEFCE teaching block grant, challenging markets for the very best students (particularly UK graduates), academic investment in the run up to the REF exercise and investments in the estate that will provide benefits in the future and an improved experience for students.

There continues to be tight management of the College's capital investment plan, with some major initiatives gaining traction through the year, including preparations for new student residences and plans to reinvigorate the Strand Campus.

Income growth and diversification

The profile of income shows the effect of the new fees regime with a 7% reduction in HEFCE teaching-grant funding. This has been offset by a £28m/19% increase in total fee income, with the largest element (about £21m/14%) reflecting the increase to fees of £9,000 for new-regime UK/EU undergraduates; however, this is gross income before taking into account the additional widening access requirements and the need to set aside income for capital investment.

The increase in tuition-fee income from UK/EU students primarily reflects the move to the new funding regime. In terms of UK/EU student headcount, King's saw small increases in undergraduate and research numbers offset by a small decrease in graduate taught students.



Student numbers (headcount, 1 December)	2012–13	2011–12	Change	
Undergraduate	14,997	14,435	562	3.9%
Graduate taught	7,589	7,680	–91	–1.2%
Graduate research	2,601	2,435	166	7%
Total	25,187	24,550	637	2.6%

Overseas student numbers increased slightly (+3.7%) year on year, which was pleasing given the challenging admissions cycle. Overall, the College continues to make progress with its plans for modest increases in student numbers in specifically chosen target subjects, in line with its 'Investing in Strength' strategy.

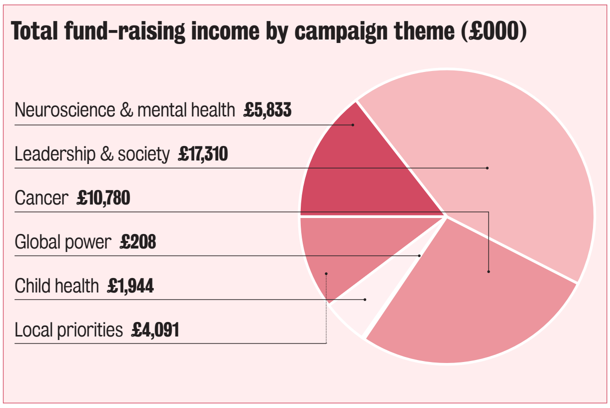
It is good to note the increases in all categories of income from research grants and contracts, especially against a background where much activity has been focused on preparation for the REF. The forward order book shows a promising 5% growth year on year, which bodes well for income in the future.

	2012–13 £000	2011–12 £000
Research grant income	164,025	154,745
Research grant expenditure	135,933	127,953
Overhead recovery	28,092	26,792
Overhead recovery as a % of income	17.1%	17.3%

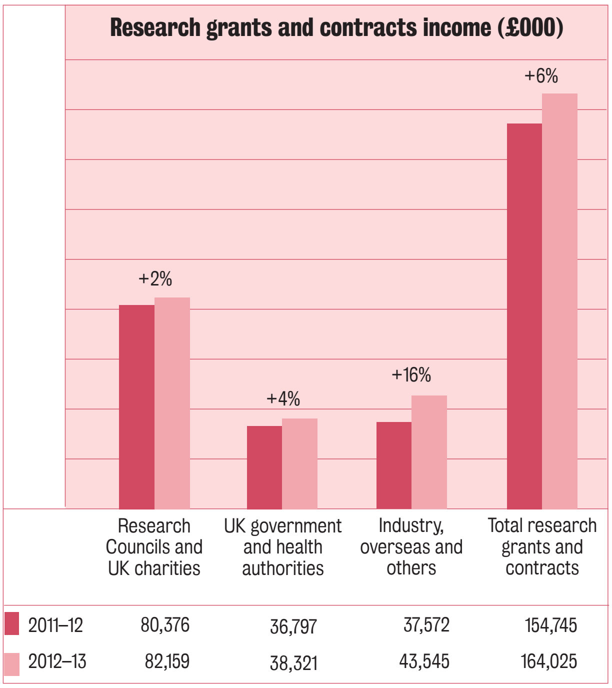
Fund-raising

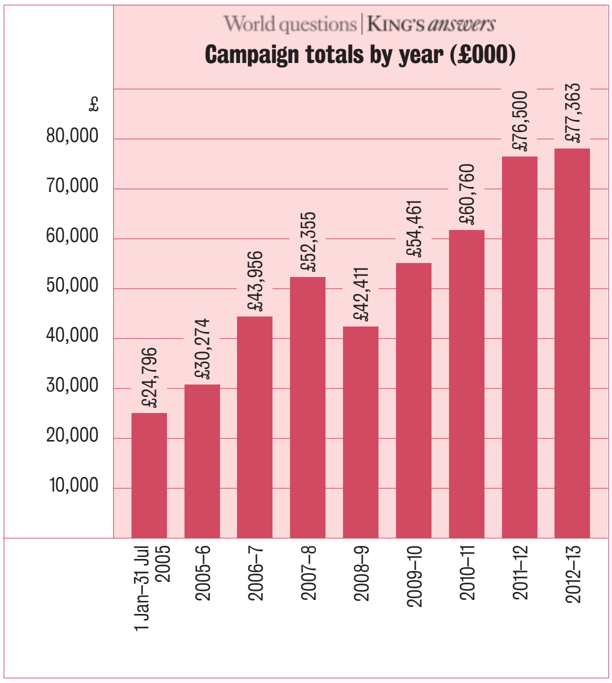
Fund-raising and Supporter Development brought in £32.1m in new cash and pledges for the College and a further £8.1m for King's Health Partners, bringing the total for the year to £40.2m.

The total income of £40.2m raised in 2012–13 was spread across the following campaign priorities.



A further £37.2m of directed research funds was also won, bringing the total for the year to £77.4m. The total income raised by the World questions | King's answers campaign since 2005, including funds for the KHP partners and directed research, was £463m at the end of July 2013, against a target of £500m by 2015.





Fund-raising income	2005–13 Total campaign £000	2012–13 College £000	KHP £000	Total £000
Staff and students	32,164	2,328	–	2,328
Capital items and endowments	50,576	6,923	–	6,923
Income raised for NHS partners	15,956	–	5,100	5,100
Received	98,696	9,251	5,100	14,351
Gifts-in-kind	2,369	1	–	1
Pledges not yet received	78,113	22,801	3,014	25,815
	179,178	32,053	8,114	40,167
Directed research grants	283,698	37,196	–	37,196
	462,876	69,249	8,114	77,363

King's is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big. Some of the larger gifts and pledges received during the year included the following.

- A £7m pledge from alumnus Mark Yeoh and his family will establish the Yeoh Tiong Lay Centre for Politics, Philosophy & Law, named in honour of Mark's father. The donation will allow the creation of three new academic posts and 16 Yeoh Tiong Lay LLM scholarships, enabling interdisciplinary research into areas such as medical ethics, power, wealth, and human values and vulnerabilities in the context of high-, middle- and low- income economies.
- A further £3.9m was donated by the John and Lucille van Geest Foundation for research into Alzheimer's and dementia. The Foundation has generously supported the College's Institute of Psychiatry over a number of years.
- £3.5m was given by the charity Breakthrough Breast Cancer to fund the Breakthrough Breast Cancer Unit at Guy's and St Thomas' for a further five years. Focused exclusively on triple-negative breast cancer, the unit's aim is to use the body's own defence mechanism to develop bespoke treatments for this rare form of the disease, which is unresponsive to standard hormone treatments.
- £2.9m pledged by the Arcadia Fund will establish an endowment for the academic activity of the Centre for the History of Science, Technology and Medicine. The centre, which is relocating from Imperial College London, is known for its distinctive, integrated approach towards the study of these three disciplines, addressing significant historical and policy questions. The endowment will fund the Hans Rausing MA and PhD studentships and support the Hans Rausing Professor of the History of Science, Technology and Medicine.
- The Peter Sowerby Foundation donated £1.4m to fund a Chair in Philosophy and Medicine. It will implement a programme of teaching and research seeking to understand the wider cultural and philosophical questions relating to health and medical practice; in addition, it will establish an events programme engaging with the public and healthcare professionals to promote a better understanding of the patient–physician relationship.

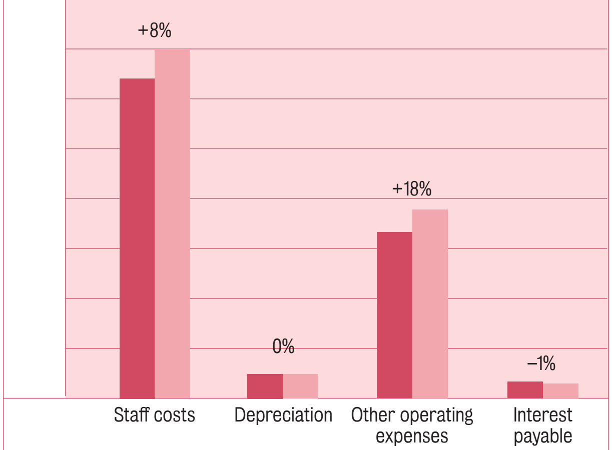
Patterns of expenditure

The 5% increase in pay costs year on year largely reflects recruitment of academic staff (and related support staff) in line with REF preparation and in areas targeted for growth in student recruitment.

Average staff numbers (full-time equivalent)	2012–13	2011–12
Academic/clinical (including staff on research grants)	3,301	3,043
Administrative and related staff	871	815
Technical	357	338
Clerical	991	956
Other	144	153
Total	5,664	5,305

Other operating expenses increased by £29.5m/18% year on year, with a third of this coming from higher costs associated with premises and student residences, such as rent, utilities and interest charges. A further third of the rise reflects matched costs associated with higher levels of research activity and services rendered to NHS partners, and the remaining portion is due to inflation and more self-financing activities.

Year-on-year change in expenditure (£000)



	Staff costs	Depreciation	Other operating expenses	Interest payable
2011–12	324,604	24,654	161,152	12,297
2012–13	349,889	24,602	190,659	12,233

Capital investment programme

In order to meet the space requirements of the growth strategy and the redevelopment of the Strand Campus, the College secured a 14-year lease on a property at 22 Kingsway, Aldwych, renamed the Virginia Woolf Building after the famous King's alumna. It will provide flexibility while the longer-term development of the Strand Campus is under way. Governance issues relating to the Strand Phase I Project are currently being finalised.

The Strategic Plan identified the need for an additional 2,000 student bed spaces in order to recruit good-quality students and meet the College's growth aspirations. Adoption of the 'Investing in Strength' strategy and the further expansion in student numbers has made this requirement even more acute. King's currently accommodates about 16% of the student body with access to around 4,000 bed spaces in a mix of College halls, University of London intercollegiate halls and third-party accommodation. The College believes the provision of affordable residential quarters will remain a key factor in achieving recruitment targets, in terms of both numbers and quality of students choosing to study at King's. Accordingly, in April 2012 it secured an option to acquire Mulberry Park in Canada Water with the aim of advancing the strategy of increasing the number of student bed spaces. Since the year end, Southwark Council has granted planning consent, and King's is considering the options for developing the site.

The planned redevelopment of the Champion Hill student accommodation is on schedule; the foundation stone was laid on 7 October 2013 and students are expected to move in during September 2014. Four halls of residence have also been refurbished during summer 2013.

Shortly after the financial year end it was confirmed that HEFCE has awarded the College £15m of capital funding to finance an additional floor, focused on research, in the Cancer Treatment Centre that the Guy's and St Thomas' NHS Trust is building on the Guy's Campus.

For the future, and in the context of known cuts to public funding for capital investment, King's has set a financial strategy that creates an investment fund by making an annual 'capital charge' against academic operating income. The College has earmarked the surpluses of the past few years to support the capital investment programme while implementing the new capital charging policy in a managed way, maintaining a balance between capital and recurrent investment priorities in the run up to the REF. From now onwards, the capital charge will rise annually so that King's is able to fund an increasingly large proportion of its capital investment programme from internal resources.

Capital investment	2008 to July 2013 £m	Plans to 2018 £m
Teaching- and learning-focused		
Strand and Waterloo	36.5	117.5
Other campuses	6.9	2.0
Residences and sports grounds	24.2	260.5
College-wide student teaching space improvement	24.0	36.5
	91.6	416.5
Research-focused		
Strand and Waterloo	7.5	9.8
St Thomas'	19.1	15.6
Denmark Hill	68.4	23.9
Guy's	10.5	29.1
Francis Crick Institute	12.0	28.0
	117.5	106.4
Infrastructure		
General infrastructure and long-term maintenance	16.3	44.0
Power and other efficiency programmes	6.0	35.7
College-wide technology	13.5	14.0
	35.8	93.7
Total investment	244.9	616.6

Endowment asset investments

The endowment investments increased during the year from £131m to £154m. This reflects both receipt of new endowments (£10m) and capital growth over the year (£15m). Investment income was some £4.4m. As measured by total return over the year, performance was as follows.

Performance for the year to 31 July 2013	
Actual performance	+15.7%
Policy benchmark	+14.2%
Value added	+1.5%

The Investment Committee regularly reviews asset allocations, and during the year it reduced exposure to fixed interest in favour of global equity. Investment in emerging markets was also increased and there was a switch from an active manager to a passive fund. Target allocations were changed as follows.

Asset allocation	**31 July 2013 %**	**31 July 2012 %**
UK equity	30.0	35.0
Global equity	25.0	20.0
Emerging markets equity	7.5	5.0
Property	12.5	10.0
Inflation-linked bonds	5.0	5.0
Fixed income	20.0	25.0

The College is seeking to amend the King's College London Act 1978 to enable it to adopt a total return approach to investment.

Working capital management

Net current assets	**31 July 2013 £000**	**31 July 2012 £000**	**Change £000**
Cash at bank	196,580	220,613	(24,033)
Debtors	66,807	70,493	(3,686)
Current assets	263,387	291,106	(27,719)
Creditors < one year	(191,967)	(166,680)	(25,287)
Net current assets	71,420	124,426	(53,006)

The position of liquid assets to annual expenditure (excluding depreciation) was 130 days, compared with a target of 90 days. Cash has fallen significantly as the capital expenditure programme progresses. A further £14m was invested in the Francis Crick Institute and expenditure on the estate amounted to some £73m, while net cash inflow from operating activities was £53m and capital grants and donations received amounted to £15m.

Debtors	**31 July 2013 £000**	**31 July 2012 £000**	**Change £000**
Trade debtors	16,862	13,020	3,842
Other debtors	6,042	13,612	(7,570)
Research grant debtors	28,485	25,652	2,833
Research grant work in progress	14,013	17,603	(3,590)
Prepayments and accrued income	1,405	606	799
	66,807	70,493	(3,686)

Overall debtors turnover, based on total income excluding the block grant, was 53 days (2012: 62 days). The increase in trade debtors is mainly attributable to an increase in amounts due from King's College Hospital NHS Trust; some £2.6m was paid by the Trust shortly after the year end. The 2012 figure for other debtors included £7m in respect of the proceeds of sale in a spin-out company, Proximagen. Research debtors (invoiced and work in progress) turnover was 95 days (2012: 102 days).

Where payments received exceed expenditure to date, grant balances are reported under creditors. The net balances for 2012–13 show a credit of £25.5m, compared with £23.3m the previous year.

Creditors	**31 July 2013 £000**	**31 July 2012 £000**	**Change £000**
Trade creditors	25,518	26,928	(1,410)
Payments received on account	100,795	94,928	5,867
Other creditors and accruals	51,857	32,245	19,612
Social Security and taxation	8,532	7,423	1,109
Finance leases	1,650	1,650	–
Loans repayable within 1 year	3,615	3,506	109
	191,967	166,680	25,287

The increase in payments on account is attributable to a gift from Dickson Poon in respect of the Law School. A further £6m was donated during the year in addition to the £8m received in 2011–12, but only £400,000 has been expended to date, leaving a balance of £13.6m which is carried forward as a payment on account.

Other creditors and accruals have increased by almost £20m. The main movements relate to the following:

- accruals of £9m for building work being undertaken by College Facilities; roughly half of this relates to the Virginia Woolf Building
- £3.5m of payments received in respect of dilapidations from previous tenants of the Virginia Woolf Building and Britannia House
- £1.8m owing to NHS Trusts in respect of the KHP Clinical Trials Office, now that King's has taken over responsibility for invoicing for all commercial clinical trials within KHP; the balance represents amounts due to the Trusts that would previously have been collected directly by them, for their input into the trials
- an increase of £5.1m in the balance on the research collaborators ledger, representing receipts from the EU that are payable on to other institutions; €5.2m was received just before the year end.

Treasury management

The College manages day-to-day cash flow through its principal bankers, Royal Bank of Scotland (RBS). Surplus cash is swept overnight from the current account to an interest-bearing deposit account.

Cash in excess of day-to-day liquidity needs is managed for King's by Royal London Cash Management (RLCM), which invests in certificates of deposit with banks over a range of maturities as well as treasury stock. Counterparty banks are strictly limited to major national banks with Standard & Poor's ratings of AA- or better, unless explicitly agreed otherwise by the Finance Committee. The amounts are restricted to £15m per counterparty excepting Barclays, HSBC and Lloyds, where the limit is £30m, and RBS, with a maximum of £50m. There is no limit on the sum invested in UK treasury stock. The approved counterparty list is continually kept under review and advice is taken from RLCM and Council members with relevant specialist knowledge.

For the year ended 31 July 2013 the average return on cash deposits held by RLCM was 0.34%, reflecting the exceptionally low interest-rate environment.

Long-term loans

There were no new loans taken out during the year.

Borrowings	**Total in year to 31 July 2013 £000**	**Due < 1 year £000**	**Due > 1 year £000**
Finance leases			
Lloyds Leasing (Stamford Street)	15,513	1,650	13,863
Less deposits	(3,933)	–	(3,933)
Total leases	11,580	1,650	9,930
Loans			
RBS (Great Dover Street)	28,752	2,490	26,262
NatWest	14,407	1,095	13,312
RBS (40-year)	59,916	–	59,916
King's College London Bond	59,745	–	59,745
Lambeth Baths Mortgage	442	30	412
Total loans	163,262	3,615	159,647
Total borrowings	174,842	5,265	169,577

The options on both the leases with National Australia Bank were exercised for the commutation of rent in exchange for the payment of a capital sum in October 2012. The payments were financed from the term deposits held for that purpose which were offset against the borrowings for 2012; net borrowings thus remain unchanged.

The College's financial strategy sets internal borrowing limits based on percentage of income and gearing, and the current position is well within target. However, King's is considering a major development to increase its provision of student accommodation which, along with an option for financing the Strand Campus redevelopment, may result in further borrowings closer to the policy limits.

	31 July 2013	**31 July 2012**	**Limit**
Borrowings as a % of income	29.8%	31.8%	50%
Borrowings to reserves	0.7	0.7	1.0

Net cash remains positive but, as noted above, cash balances are falling as investment is made in capital assets.

Net cash	**31 July 2013 £000**	**31 July 2012 £000**	**Change £000**
Cash and short-term investments	196,580	220,613	(24,033)
Borrowings	174,842	176,240	(1,398)
Net funds	21,738	44,373	(22,655)

Pensions

The College participates in two main pension schemes: the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). They are multi-employer, defined-benefit, final salary schemes. As the College is unable to determine its share of assets and liabilities in accordance with FRS17, the schemes do not appear on the balance sheet, although full disclosure is made in the notes to the accounts (see note 30 to the financial statements).

The summary funding position at 31 March 2013, and going back to 31 March 2011 when the last triennial valuation was conducted, is as follows:

Pension scheme funding	**31 March 2013**	**31 March 2012**	**31 March 2011**
USS			
Assets	£38.6bn	£33.9bn	£32.4bn
Liabilities	£50.1bn	£43.7bn	£35.3bn
Deficit	£11.5bn	£9.8bn	£2.9bn
Funding level on technical provisions	77%	77%	92%
Funding level on buy-out basis	51%	50%	57%
SAUL			
Assets	£1,902m	£1,632m	£1,506m
Liabilities	£2,235m	£1,971m	£1,581m
Deficit	£333m	£339m	£75m
Funding level on technical provisions	85%	83%	95%
Funding level on buy-out basis	59%	54%	68%

2013 figures show little change in the funding position but a significant deterioration since the March 2011 triennial valuation. The main reason for the increase in liabilities is that the yield on gilts, which informs the discount rate used by the actuary to calculate the present value of future liabilities, is at a historically low level.

Since the July 2011 valuation, both schemes have introduced significant changes, including a career average revalued earnings section for new entrants. USS has also increased its employee contribution rate to 7.5% from 6.35% for those who remain in the final-salary section of the pension scheme. The size of the deficits is a significant cause for concern, requiring a range of measures to be taken as part of the 2014 valuation exercise.

The College also participates in the NHS Pension Scheme (NHSPS), which is an unfunded multi-employer scheme open to certain employees who were members of NHSPS immediately prior to appointment at the College.

There is residual participation in the Local Government Pension Scheme (LGPS), which is closed to new members. It is a legacy of Chelsea College, which participated in the scheme prior to its merger with King's. As the assets are segregated, a liability is disclosed in the balance sheet; at 31 July 2013 it amounted to some £1.2m. Full disclosure under FRS17 is made in note 30 to the financial statements.

Prospects and planning outlook

The sector continues to respond to changes in the higher education policy and regulatory frameworks. Primary drivers are the new student funding model and the partial deregulation of student number control. The global recession, demographic changes in the UK, technological developments and increasing levels of global competition add to the volatility.

Looking to the future, changes in the population profile suggest that English student totals will decline by 167,000 between 2013 and 2018 and by over 200,000 by 2021. The Institute for Public Policy Research suggests a 4–8% drop in the absolute number of young students.

Changes to visa requirements, including limitation of the ability to work in the country after graduation, have resulted in a drop in enrolment from certain countries – most notably, India. In addition, there is strong competition for international students from universities in other countries, especially the USA, Canada and Australia.

Across the higher education sector there continue to be changes in student interest in particular subjects. Universities UK report increases in A level uptake for Science, Technology, Engineering and Maths. A level Maths and Further Maths account for 12% of the total, up from 9% in 2009; Economics has grown by 50% since 2007. A levels in Modern Languages have seen a decrease of 17.8% since 2008 and, rather than taking an individual language, students often seek generic entry points for degrees: for example, Liberal Arts or Modern Foreign Languages and Culture. The idea of a major/minor degree is considered attractive.

UK employers represent an opportunity, as more seek graduate training for their staff and offer sponsorship with a partner institution. However, this market requires greater flexibility around entry criteria and credit transfer, and it places a high premium on flexible delivery: online, during evenings and weekends, condensed or part-time to accommodate shorter and longer timeframes.

Changes in delivery models, including the Massive Online Open Courses discussed above, will affect studying preferences over the next decade.

Meanwhile, the core university propositions of education and quality research remain highly attractive. UK public research funding is receiving some protection and priority, and although the market for higher education is changing, it is also growing overall. In its July 2013 paper, 'International Education: Global Growth and Prosperity', the Department of Business, Innovation & Skills predicts 7% annual growth in the value of UK education exports through to 2017, for a market worth £3.6bn in higher education tuition fees.

The Spending Round 2013, giving indicative figures to 2015–16, intimated that capital funding will remain at current levels, flat year on year. Beyond then, the outcome is unclear; however, it is evident that there will be increasing competition for capital and that the most successful bids will incorporate an element of matched funding. As mentioned above under 'Capital investment programme', King's plans to raise the rate of its 'capital charge' (an internal mechanism that creates an investment fund by making charges against operating income) to support its investment aspirations against the threat of possible further adjustments to public funding.

The government announced that capital investment in the Research Partnership Investment Fund will be sustained for two years and, as previously mentioned, the College was successful in winning £15m of funding to support the development of research facilities in the Cancer Treatment Centre that the Guy's and St Thomas' NHS Trust is building on the Guy's Campus.

The government's total research spending has been ring-fenced until 2015–16 but there is the possibility that the balance of resource will shift from block funding towards the Research Councils. It is unclear how this might affect King's, so it continues to model a number of scenarios.

All of the College's funders – whether students, Research Councils, charities or philanthropists – are increasingly interested in value for money. Students are seeking distinctive programmes, high-quality academics, a positive experience of study, good employment prospects and the opportunity to access other partners and experiences, both in London and in the wider world. The best way to guarantee sustainable success is to focus on quality.

In terms of staff, there have been very modest pay increases for the past four years and, while the economic environment does not yet indicate full recovery, there is a more optimistic feel to economic forecasts which, together with the more competitive world of £9,000 fees, puts greater pressure on the recruitment, retention and rewarding of the best employees.

King's is recognised as being at the upper end of the market for quality in both research and teaching, and it is therefore in a relatively strong position. Its location in London is also a strategic differentiator equally for research and education and is a major strength and opportunity.

Financial forecasts

After relatively strong performance in each of the past two years, the College is making much reduced forecasts over the next three years during the transition to the new funding model.

As mentioned above, the surpluses of the past few years have enabled King's to strengthen reserves and maintain the pace of capital investment while at the same time investing in academic posts in the run up to the REF exercise. However, it is not a sustainable strategy to rely on these funding sources in the long term and in future the College will charge incrementally higher annual sums to its academic departments for capital investment.

Conclusions

King's continues to navigate the rapidly changing higher education landscape successfully. There is strong demand for its student programmes and its research is recognised globally. The forward order book for research grants and contracts shows a pleasing 5% growth year on year, which bodes well for income in the future. The College's academic performance is recognised in the QS World University Rankings, where King's was deemed one of the top 20 universities on measures of research, teaching, employability and international outlook.

Looking ahead, there continue to be a number of threats that are outside the College's control, such as inflationary pressure, variation in demand in international student markets and unexpected changes to public funding. But the College is well positioned to anticipate these threats. Financial indicators, including the credit rating, remain strong and King's continues to hold large cash reserves. The College's net debt is relatively low compared to that of peers, and this provides an important source of flexibility and liquidity. The inexorable focus on quality and sustainability is a solid foundation.

Mr Rory Tapner
Treasurer

Mr Stephen Large
Director of Finance

Projections	**2009–10 actual £m**	**2010–11 actual £m**	**2011–12 actual £m**	**2012–13 actual £m**	**2013–14 forecast £m**	**2014–15 forecast £m**	**2015–16 forecast £m**
Income	508.0	523.4	554.2	586.9	607.2	639.6	671.7
Expenditure	497.6	496.6	522.7	577.4	600.2	629.6	656.7
Surplus on normal activities before tax	10.4	26.8	31.5	9.5	7.0	10.0	15.0
Surplus as a % of income	2.0%	5.1%	5.7%	1.6%	1.2%	1.6%	2.2%

Corporate governance

The following statement is provided to enable readers of the financial statements of the College to obtain a better understanding of the governance and legal structure of the College.

The College endeavours to conduct its business:

(a) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness; integrity; objectivity; accountability; openness; honesty; leadership) and

(b) in the light of the guidance to universities that has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities in the UK.

The College is an independent corporation whose legal status derives from a Royal Charter originally granted in 1829. Its objects, powers and framework of governance are set out in the Charter and supporting Statutes.

The Charter and Statutes require the College to have two bodies, the Council and the Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Council is the supreme governing body responsible for the finance, property, investment and conduct of all affairs of the College including the strategic direction of the institution. The Council has lay members, from whom its Chairman and Vice-Chairman must be drawn, but also included in its membership are College staff members and the president of the student body. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work that they do for the College.

The Academic Board is the academic authority of the College and draws its membership mainly from the academic staff and the students of the institution. It is the body responsible under delegated authority from the Council for the academic work of the College in teaching, examining and research. The Academic Board recommends major policy changes to the Council.

Although the Council meets at least three times each academic year, most of its detailed business is handled by committees, in particular a Finance Committee, an Audit and Compliance Committee, a Remuneration Committee, an Estates Strategy Committee and a Nominations Committee. The Council also has a Chairman's Committee, which is authorised by the Council to provide support and guidance to the College's executive and, between ordinary meetings of the Council, to look at issues that are major and/or pressing. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of lay members, from whom its Chairman is drawn; each reports regularly to the Council.

The Finance Committee *inter alia* recommends to Council the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also approves comprehensive Financial Regulations for the conduct of the financial affairs of the College.

The Audit and Compliance Committee is responsible for meeting, at least once annually, with the external auditors, to discuss audit findings, and with the internal auditors, to consider detailed internal audit reports and recommendations for the improvement of the College's systems of internal control, together with management's response and implementation plans. It receives and considers reports from HEFCE and the Training and Development Agency for Schools as they affect the College's business and receives reports from statutory, regulatory or funding agencies concerning the College's compliance with relevant legislation and standards. It also reviews accounting policies and any major changes to the College's accounting principles and practice that are brought to its attention by the external auditors, internal audit or management.

The Remuneration Committee determines the annual remuneration of the Principal, Vice-Principals and the head of Administration and College Secretary.

The principal academic and executive officer of the College is the Principal and President, who has a general responsibility to the Council for ensuring that the objects of the College are fulfilled and for maintaining and promoting the efficiency, discipline and good order of the College. The Principal is also, under the terms of the formal Financial Memorandum between the College and HEFCE, the designated Accountable Officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Ordinances of the College specify that the College Secretary should act as Secretary of the Council. Any enquiries about the constitution and governance of the College should be addressed to the College Secretary.

Statement of internal control

The Council, as the governing body of the College, has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2013 and up to the date of the approval of the financial statements, and accords with HEFCE guidance.

The Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Council considers the plans and strategic direction of the College on an annual basis.
- The Audit and Compliance Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives periodic reports from the Chairman of the Audit and Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Compliance Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by the categorisation of risks and the maintenance of a College-wide risk register.
- The Audit and Compliance Committee receives regular reports from the director of the Department of Audit & Business Assurance on the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The Principal's Central Team is the focal point within the College for the enhancement of the risk-management process and receives regular reports from heads of Schools and departments in support of this.
- The business planning process requires heads of Schools and departments to identify and keep up-to-date the record of risks facing the College and to report on internal control activities.
- A programme of risk-awareness training is carried out.
- A system of key performance and risk indicators has been developed to enable the Council to monitor progress towards the achievement of strategic objectives.

The College has a Department of Audit & Business Assurance, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Assurance Service in June 2009. The Department of Audit & Business Assurance submits regular reports to the Audit and Compliance Committee that include the director of the department's independent opinion on the adequacy and effectiveness of the College's system of internal control, together with recommendations for improvement.

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2013 was informed by the Audit and Compliance Committee, the work of the Department of Audit & Business Assurance and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the College Council

In accordance with the Royal Charter, the Council of King's College London is responsible for the administration and management of the affairs of the College; it requires audited financial statements to be presented for each financial year.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and that enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memoranda agreed between HEFCE and the Training and Development Agency for Schools and the Council of the College, the Council, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed
- financial statements are prepared on the going-concern basis unless it is inappropriate to presume that the College will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and the Funding Agreement with these bodies
- ensure that professional financial management is in place in terms of numbers of staff and their quality
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's 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 departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic and non-academic performance 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 capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee under delegated authority from the Council
- a professional independent internal audit team whose annual programme is approved by the Audit and Compliance Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control. Any system of internal financial control can, however, only provide reasonable, not absolute, assurance against material misstatement or loss.

Independent auditors' report to the Council of King's College London

We have audited the Group and College financial statements (the 'financial statements') of King's College London for the year ended 31 July 2013 which comprise Consolidated Income and Expenditure Account, the Consolidated Group and College Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies 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 College Council, in accordance with the Charter and Statutes of the College. 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 College Council and the auditors

As explained more fully in the statement of Responsibilities of the College Council set out on page 24, the Council is responsible for the preparation of financial statements that 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 College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the College Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. 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 College as at 31 July 2013 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
- 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 College for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the College's Statutes
- 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 College and Group.

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

26 November 2013

Statement of principal accounting policies

1. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and all its subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements do not include those of the King's College London Students' Union, in which the College has no financial interest and no control or significant influence over policy decisions.

3. Recognition of income

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

Student-fee income is credited to the Income and Expenditure Account over the year in which it is earned.

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

All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

4. Pension schemes

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined-benefit schemes that are externally funded and contracted out of the Second State Pension. The schemes are valued every three years by professionally qualified and independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

The College fully adopted accounting standard FRS17 Retirement Benefits during the year ended 31 July 2006. Previously the transitional disclosures of that standard were followed. The impact of the standard is reflected throughout the financial statements.

The difference between the fair value of the assets held in the College's defined-benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the College's balance sheet as a pension scheme asset or liability. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined-benefit pension scheme liability arising from factors other than cash contribution by the College are charged to the Income and Expenditure Account or the statement of total recognised surpluses and deficits in accordance with FRS17 Retirement Benefits.

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the payment or receipt. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the lease periods.

7. Land and buildings

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years, and 100 years in respect of new-build property, and leasehold land over the life of the lease. Land is not depreciated.

In respect of the new property, where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. Freehold assets during the course of construction are not depreciated.

8. Furniture and equipment

Furniture and equipment, including computers and software, costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other furniture and equipment is capitalised.

Capitalised furniture and equipment, including motor vehicles, is stated at cost and depreciated over its expected useful life of five years. Capitalised leased equipment is stated at cost and depreciated over its expected useful life of 15 years.

Where furniture and equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment.

9. Heritage assets

Heritage assets are books, manuscripts, specimens, objects or other assets that have historic, scientific, artistic, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

In so far as heritage assets are used as operational assets, as in the case of historic buildings, they are capitalised in accordance with the policies set out in points 7 or 8 above. Other heritage assets – principally printed materials, pictures and objects of scientific interest – are, for individual items exceeding £25,000, capitalised at cost or valuation on acquisition, but only where a reliable valuation is available. Valuations reflect any impairment or restrictions on use of the assets by the College. No assets acquired prior to 1 August 2000 have been capitalised, as reliable information concerning their cost or value on acquisition is not available.

Descriptions of the principal heritage assets held are set out in note 12 to the accounts.

10. Investments

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost or net realisable value.

11. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the College's treasury management activities. They exclude any such assets held as endowment asset investments.

12. Maintenance of premises

The College has a five-year rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

13. Taxation status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College 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 to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any other commercial organisation. However, no provision has been made for deferred tax on the grounds that the taxable profits of the subsidiary companies are gift-aided back to King's.

14. Related party transactions

The College has taken advantage of the exemption that is conferred by FRS8, Related Party Disclosures, which allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

15. Provisions

Provisions are recognised when the College has 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.

King's regularly reviews the risks inherent in its educational and research activities and makes financial provision where appropriate.

In addition, the College operates its halls of residence on a self-financing basis and provides annually for the cost of long-term maintenance and regular refurbishment.

16. Charitable donations

Charitable donations are recognised in the accounts when the 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. Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are two main types:

- Restricted permanent endowments: the capital fund is maintained but the income can be used for the objective specified by the donor.
- Restricted expendable endowments: the capital may be used in addition to the income for the objective specified by the donor.

Donated assets, or donations received to be applied to the cost of an asset, are shown on the balance sheet as deferred capital grants. The deferred capital grant is released to income over the same expected useful life as that used to depreciate the asset.

Consolidated Income and Expenditure Account

For the year ended 31 July 2013

	Note	2012–13 £000	2011–12 £000
Income			
Funding body grants	1	130,671	140,908
Tuition fees and education contracts	2	174,581	146,544
Research grants and contracts	3	164,025	154,745
Other operating income	4	111,276	103,832
Endowment and investment income	5	6,395	8,191
Total income		586,948	554,220
Expenditure			
Staff costs	6	349,889	324,604
Other operating expenses	10	190,659	161,152
Depreciation	11	24,602	24,654
Interest payable	8	12,233	12,297
Total expenditure	10	577,383	522,707
Surplus on ordinary activities		9,565	31,513
Taxation	9	–	(8)
Surplus on ordinary activities after taxation		9,565	31,521
Receipts from property transactions		–	5,060
Profit on sale of shares		–	7,054
Surplus after depreciation of assets at cost and tax	22	9,565	43,635

The consolidated income and expenditure of the College and its subsidiaries relates wholly to continuing operations. There is no difference between the surplus stated above and the historical cost equivalent.

The notes on pages 33 to 49 form part of the financial statements.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2013

	Note	2012–13 £000	2011–12 £000
Surplus after depreciation of assets at cost and tax		9,565	43,635
Change in value of endowment asset investments	21	14,535	2,357
Endowment income movement for the year	21	53	(317)
New endowments less transfer to deferred capital grants	21	8,739	4,045
Actuarial gain/(loss) on pension schemes	30	29	(230)
Total recognised gains relating to the year		32,921	49,490

Reconciliation

	2012–13 £000	2011–12 £000
Opening reserves and endowments	367,555	318,065
Total recognised gains for the year	32,921	49,490
Closing reserves and endowments	400,476	367,555

The notes on pages 33 to 49 form part of the financial statements.

Consolidated and College Balance Sheets

As at 31 July 2013

	Note	Consolidated 2013 £000	Consolidated 2012 £000	College 2013 £000	College 2012 £000
Fixed assets					
Tangible assets	11	729,738	681,533	731,611	683,168
Investments	13	25,629	12,018	25,629	12,018
		755,367	693,551	757,240	695,186
Endowment asset investments	14	154,085	130,758	154,085	130,758
Current assets					
Debtors	15	66,807	70,493	66,053	68,731
Cash at bank and in hand		196,580	220,613	187,192	214,330
		263,387	291,106	253,245	283,061
Creditors: amounts falling due within one year	16	(191,967)	(166,680)	(181,851)	(158,661)
Net current assets		71,420	124,426	71,394	124,400
Total assets less current liabilities		980,872	948,735	982,719	950,344
Creditors: amounts falling due after more than one year	17	(169,577)	(171,084)	(169,577)	(171,084)
Net assets excluding pensions liability		811,295	777,651	813,142	779,260
Net pensions liability	30	(1,243)	(1,337)	(1,243)	(1,337)
Total net assets including pensions liability		810,052	776,314	811,899	777,923
Deferred capital grants	20	409,576	408,759	409,576	408,759
Endowments					
Restricted permanent	21	129,441	115,338	129,441	115,338
Restricted expendable	21	24,644	15,420	24,644	15,420
		154,085	130,758	154,085	130,758
Reserves					
Capital reserve	22	150,585	101,690	152,458	103,325
General reserves excluding pension reserve	22	97,049	136,444	97,023	136,418
Pension reserve	22	(1,243)	(1,337)	(1,243)	(1,337)
		246,391	236,797	248,238	238,406
Total funds		810,052	776,314	811,899	777,923

The financial statements on pages 26 to 49 were approved by the Council on 26 November 2013 and signed on its behalf by:

The Marquess of Douro
Chairman of Council

Professor Sir Richard Trainor
Principal

Mr Rory Tapner
Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2013

	Note	2012–13 £000	2011–12 £000
Net cash inflow from operating activities	24	53,102	43,358
Returns on investments and servicing of finance	25	(1,452)	(2,049)
Capital expenditure and financial investment	26	(59,826)	(55,775)
Cash outflow before use of liquid resources and financing		(8,176)	(14,466)
Management of liquid resources	27	(10,093)	4,431
Financing	28	(5,764)	(3,526)
Decrease in cash	29	(24,033)	(13,561)

Reconciliation of net cash flow to movement in net cash

	Note	2012–13 £000	2011–12 £000
Decrease in cash in the year		(24,033)	(13,561)
Cash inflow/(outflow) from liquid resources		10,093	(4,431)
Decrease in debt		1,398	1,144
Movement in net cash in the year		(12,542)	(16,848)
Net cash at 1 August		51,702	68,550
Net cash at 31 July	29	39,160	51,702

The notes on pages 33 to 49 form part of the financial statements.

Notes to the accounts

For the year ended 31 July 2013

1. FUNDING BODY GRANTS

	2012–13 £000	2011–12 £000
Higher Education Funding Council for England grants		
Recurrent grant	116,072	124,604
Specific grants	4,619	4,253
Deferred capital grants released in the year:		
Buildings *(note 20)*	5,954	6,286
Plant *(note 20)*	2,912	2,751
Equipment *(note 20)*	828	1,402
	130,385	139,296
Joint Information Systems Committee grants	221	381
Training and Development Agency for Schools		
Recurrent grant	–	1,166
Specific grants	65	65
	65	1,231
Total funding body grants	130,671	140,908

2. TUITION FEES AND EDUCATION CONTRACTS

	2012–13 £000	2011–12 £000
Full-time students charged home fees	71,123	50,432
Full-time students charged overseas fees	63,895	58,301
Regional health authorities contracted student fees	21,811	21,383
Part-time fees	7,106	6,704
Special and short course fees	10,605	9,659
Research training support grants	41	65
	174,581	146,544

3. RESEARCH GRANTS AND CONTRACTS

	2012–13 £000	2011–12 £000
Research Councils	36,558	35,428
UK central government, local authorities, health and hospital authorities	38,321	36,797
UK industry, commerce and public corporations	11,516	9,818
UK charitable bodies	45,601	44,948
EU government and other bodies	18,780	15,927
Overseas non EU	12,721	11,448
Other	528	379
	164,025	154,745

Notes to the accounts *continued*

For the year ended 31 July 2013

4. OTHER OPERATING INCOME

	2012–13 £000	2011–12 £000
Academic departments costs reimbursed by NHS	15,531	15,095
Clinical excellence awards reimbursed by NHS	8,335	8,508
Residences, catering and conferences	18,667	19,438
Services rendered to NHS and related bodies	9,663	8,144
Self-financing activities	24,600	26,153
Released from deferred capital grants	2,241	2,069
Other income	32,239	24,425
	111,276	103,832

5. ENDOWMENT AND INVESTMENT INCOME

	2012–13 £000	2011–12 £000
Transferred from restricted permanent endowments *(note 21)*	2,986	2,181
Transferred from restricted expendable endowments *(note 21)*	1,339	1,793
Other interest receivable	2,070	4,217
	6,395	8,191

6. STAFF

	2012–13 £000	2011–12 £000
Staff costs:		
Wages and salaries	291,395	269,683
Social security costs	23,372	21,902
Other pension costs *(note 30)*	35,122	33,019
	349,889	324,604

Staff costs include amounts charged by third parties, including NHS Trusts, for contractors and job holders who are not directly employed by the College.

	2012–13 £000	2011–12 £000
Emoluments of the Principal:		
Other emoluments	267	267
Benefits-in-kind	5	5
	272	272
Pension scheme contributions	49	49
Total emoluments of the Principal	321	321

The pension contributions for the Principal paid in respect of employer's contributions to the Universities Superannuation Scheme are paid at the same rate as for other employees. In accordance with his contract of employment, the Principal is required to live in College-provided accommodation for the better performance of his duties. The provision of this accommodation has nil taxable value, and the Principal makes a personal contribution towards running costs.

	2012–13 Number	2011–12 Number
Average staff numbers, expressed as full-time equivalents:		
Academic/clinical, including research contract staff	3,301	3,043
Administrative and related staff	871	815
Technical	357	338
Clerical	991	956
Other	144	153
	5,664	5,305

Notes to the accounts *continued*

For the year ended 31 July 2013

6. STAFF *(continued)*

Remuneration of higher-paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to College staff under separate NHS contracts of employment and which are included in the College's Income and Expenditure Account:

	2012–13 Clinical academic	2012–13 Other academic and related	2012–13 Total number	2011–12 Total number
£100,001–£110,000	19	19	38	29
£110,001–£120,000	12	12	24	28
£120,001–£130,000	14	5	19	29
£130,001–£140,000	9	7	16	12
£140,001–£150,000	23	4	27	21
£150,001–£160,000	17	1	18	20
£160,001–£170,000	16	2	18	10
£170,001–£180,000	10	3	13	10
£180,001–£190,000	2	–	2	4
£190,001–£200,000	2	1	3	6
£200,001–£210,000	5	–	5	2
£210,001–£220,000	1	–	1	3
£220,001–£230,000	7	–	7	4
£230,001–£240,000	2	–	2	3
£240,001–£250,000	1	–	1	–
£250,001–£260,000	–	–	–	1
£260,001–£270,000	–	–	–	–
£270,001–£280,000	2	1	3	1
£280,001–£290,000	–	–	–	1
£290,001–£300,000	–	–	–	–
£300,001–£310,000	–	–	–	1

The accounts include one severance payment for a higher-paid employee (including the cost of additional pension benefits purchased by the College) amounting to £121,000 for 2013 (2012 – three, £338,000).

7. TRUSTEES

The trustees are the members of Council, which is the supreme governing body of the College established under the Charter and Statutes. Membership of Council comprises a mixture of independent (lay) members, staff members and the President of the King's College London Students' Union.

No member of Council receives remuneration in respect of his or her duties of Council.

Expenses amounting to £1,000 were paid to or on behalf of three members (2012 – £1,000, three) in respect of their Council duties. In addition, the College paid a contribution of £12,000 (2012 – £12,000) towards the costs of the Chairman's office.

8. INTEREST PAYABLE

	2012–13 £000	2011–12 £000
Bank and other loans wholly repayable within five years	–	6
Loans not wholly repayable within five years	10,689	10,740
Finance leases	1,544	1,551
	12,233	12,297

Notes to the accounts *continued*

For the year ended 31 July 2013

9. TAXATION

	2012–13 £000	2011–12 £000
UK corporation tax payable on the profits of subsidiary companies	–	(8)

The tax charge arises from taxable profits that were not paid under gift aid by subsidiary companies to King's College London. The Council does not believe that the College is liable for any corporation tax arising out of its activities during the year.

10. ANALYSIS OF 2013 EXPENDITURE BY ACTIVITY

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2012–13 Total £000	2011–12 Total £000
Academic departments	167,223	3,032	20,373	–	190,628	167,928
Academic departments costs reimbursed by NHS	15,366	–	165	–	15,531	15,095
Clinical excellence awards reimbursed by NHS	8,335	–	–	–	8,335	8,464
Academic services	18,723	1,650	11,202	–	31,575	31,219
Research grants and contracts	80,153	3,801	51,979	–	135,933	127,953
Residences, catering and conferences	3,597	20	9,768	5,044	18,429	17,799
Premises	7,238	15,337	43,533	–	66,108	56,879
Administration and central services	26,327	57	9,137	–	35,521	35,603
Staff and student facilities	4,616	496	8,476	–	13,588	9,893
General education expenditure	992	3	21,310	–	22,305	16,379
Services rendered to NHS and related bodies	6,521	–	2,987	–	9,508	8,004
Self-financing activities	10,673	–	8,920	–	19,593	18,068
Pension costs	(65)	–	–	–	(65)	(33)
Other	190	206	2,809	7,189	10,394	9,456
Total per Income and Expenditure Account	349,889	24,602	190,659	12,233	577,383	522,707

The depreciation charge has been funded by:	
Deferred capital grants released *(note 20)*	15,735
General income	8,867
	24,602

Other operating expenses include:	2012–13 £000	2011–12 £000
External auditors' remuneration in respect of audit services:		
College financial statements	100	100
Subsidiary financial statements	5	9
United States Department of Education	–	131
External auditors' remuneration in respect of non-audit services:		
Research certifications	–	44
Other certifications	10	35

Notes to the accounts *continued*

For the year ended 31 July 2013

11. TANGIBLE ASSETS

Consolidated	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2012	348,354	345,524	8,150	44,791	88,697	21,733	41,701	898,950
Additions	909	221	55	2,111	6,693	–	62,818	72,807
Transfers	4,076	4,551	452	10,032	1,294	–	(20,405)	–
Disposals	–	–	–	–	(5,640)	–	–	(5,640)
At 31 July 2013	353,339	350,296	8,657	56,934	91,044	21,733	84,114	966,117
Depreciation								
At 1 August 2012	62,069	62,020	5,138	5,559	73,938	8,693	–	217,417
Charge for year	5,188	5,429	394	3,919	8,223	1,449	–	24,602
Eliminated on disposals	–	–	–	–	(5,640)	–	–	(5,640)
At 31 July 2013	67,257	67,449	5,532	9,478	76,521	10,142	–	236,379
Net book value								
At 31 July 2013	286,082	282,847	3,125	47,456	14,523	11,591	84,114	729,738
At 1 August 2012	286,285	283,504	3,012	39,232	14,759	13,040	41,701	681,533

College	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2012	348,933	346,389	8,163	44,837	88,715	21,733	41,815	900,585
Additions	909	221	55	2,111	6,693	–	63,056	73,045
Transfers	4,099	4,570	452	10,060	1,301	–	(20,482)	–
Disposals	–	–	–	–	(5,640)	–	–	(5,640)
At 31 July 2013	353,941	351,180	8,670	57,008	91,069	21,733	84,389	967,990
Depreciation								
At 1 August 2012	62,069	62,020	5,138	5,559	73,938	8,693	–	217,417
Charge for year	5,188	5,429	394	3,919	8,223	1,449	–	24,602
Eliminated on disposals	–	–	–	–	(5,640)	–	–	(5,640)
At 31 July 2013	67,257	67,449	5,532	9,478	76,521	10,142	–	236,379
Net book value								
At 31 July 2013	286,684	283,731	3,138	47,530	14,548	11,591	84,389	731,611
At 1 August 2012	286,864	284,369	3,025	39,278	14,777	13,040	41,815	683,168

The total amount of interest included in assets above amounted to £1,740,000 (2012 – £1,740,000). Included within freehold and long-leasehold land and buildings are a number of properties that are shared with third parties where title documentation may not exist at the present time. The net book value of these are £1,723,000 and £49,244,000 respectively.

Included in the above are assets with a net book value of £409,576,000 (2012 – £408,759,000) funded by capital grants (*note 20*).

Notes to the accounts *continued*

For the year ended 31 July 2013

12. HERITAGE ASSETS

Heritage assets include a unique, internationally significant and continually expanding range of archival and printed sources, exhibits and pictures. These resources are available for use by the staff and students of King's, the wider academic community and any member of the public who has an interest in the College's holdings. Items may be acquired by gift, bequest, exchange or purchase on the open market.

King's aims to preserve all material in perpetuity in its original format. Surrogate copies may be created for dissemination, or where items are of exceptional rarity or delicacy. All preservation and conservation costs are charged to the Income and Expenditure Account as incurred.

The principal collections are:

Archives

These comprise not only the archives of the College, but also those of organisations that it has founded or with which it has merged. Additionally, they contain the research papers of former staff and students, including Maurice Wilkins, Eric Mottram and Sir Charles Wheatstone.

The Liddell Hart Centre for Military Archives is a leading repository for research into modern defence policy in Britain. Private papers of over 700 senior defence personnel who held office from 1900 onwards form the core of this collection.

The archives consist of some 5 million documents.

Special collections

The Foyle Special Collections Library houses maps, slides, sound recordings and manuscripts as well as over 150,000 printed works. Ranging in date from the fifteenth century to the present day and covering all subject areas, the collections are particularly strong in medicine, science, voyages and travels, the history of Greece and the Eastern Mediterranean, European military and diplomatic history, the history of the British Empire, twentieth-century Germany and Jewish and Christian theology.

The largest section, the FCO Historical Collection, comprises material from the former library of the Foreign & Commonwealth Office, transferred to King's in 2007, and contains over 60,000 items. Topics it covers in depth include: exploration, discovery and travel; war and cold war; diplomacy and peace-keeping; the growth, rule and decline of empires; colonial emigration and settlement; the growth and abolition of the Atlantic slave trade; trade, transport and communication; and anthropology and natural history. Although held by the College, this collection is owned by a separate company, King's College Foreign & Commonwealth Office Library Ltd, which is independent of the College.

Gordon Museum

The Gordon Museum has a large and growing teaching collection of approximately 8,000 pathological specimens with specialised sub-areas on such subjects as Forensic Medicine and HIV/AIDS. It also houses a number of important historic collections: the Joseph Towne anatomical and dermatological wax models, the Lam Qua paintings, and specimens and artefacts acquired by Thomas Hodgkin, Thomas Addison, Richard Bright and Sir Astley Cooper.

King George III Collection

This collection of eighteenth-century scientific apparatus is on loan to the Science Museum. It consists of equipment assembled during the 1750s by the natural scientist and astronomer Stephen Demainbray for use in public lectures and apparatus commissioned in 1761 by King George III from the instrument maker George Adams for the entertainment and instruction of the royal family.

Further information on all of these collections is available on the College website, www.kcl.ac.uk.

No heritage assets were capitalised during the year as none exceeded the capitalisation threshold of £25,000. Earlier acquisitions are not capitalised because cost or acquisition values are unavailable for the majority of the assets and the benefit of a professional valuation would be outweighed by the related costs. Any valuation would necessarily be imprecise and prey to changing fashions and fluctuating market trends due to the unique nature of the assets.

Notes to the accounts *continued*

For the year ended 31 July 2013

13. INVESTMENTS

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Investment in subsidiary companies at cost	–	–	–	–
Francis Crick Institute	25,581	11,970	25,581	11,970
Other fixed asset investments	48	48	48	48
	25,629	12,018	25,629	12,018

The College owns 100% of the issued ordinary share capital of College Facilities Limited (for construction services) and King's College London Business Limited (for business development and consultancy). Both companies are registered in England and their operating activities are in the United Kingdom.

The Francis Crick Institute is a partnership between five scientific institutions and the College. Established as a charity, it will be a research centre in biomedical science.

14. ENDOWMENT ASSET INVESTMENTS

	Consolidated and College	
	2012–13 £000	2011–12 £000
Balance at 1 August	130,758	124,673
Additions	11,828	52,614
Disposals	(13,129)	(44,455)
Revaluation	14,535	2,357
Increase/(decrease) in cash balances	10,093	(4,431)
Balance at 31 July	154,085	130,758
Fixed interest stocks	27,033	34,287
Equities	109,630	89,142
Bank balances	17,422	7,329
Total endowment asset investments	154,085	130,758
Fixed interest and equities at cost	116,583	114,190

15. DEBTORS

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade debtors	16,862	13,020	16,862	13,020
Other debtors	6,042	13,612	5,288	11,841
Research grant debtors	28,485	25,652	28,485	25,652
Research grant work in progress	14,013	17,603	14,013	17,603
Prepayments and accrued income	1,405	606	1,405	606
Amounts owed by Group undertakings	–	–	–	9
	66,807	70,493	66,053	68,731

Notes to the accounts *continued*

For the year ended 31 July 2013

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade creditors	25,518	26,928	22,203	20,143
Payments received on account	100,795	94,928	100,795	94,928
Other creditors and accruals	51,857	32,245	42,651	30,762
Social security and other taxation payable	8,532	7,423	8,532	7,423
Amounts owed to Group undertakings	–	–	2,405	249
Obligations under finance leases less term deposits for repayment *(note 18)*	1,650	1,650	1,650	1,650
Current element of long-term liabilities *(note 18)*	3,615	3,506	3,615	3,506
	191,967	166,680	181,851	158,661

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Obligations under finance leases *(note 18)*	13,863	13,976	13,863	13,976
Term deposits for loan repayments	(3,933)	(3,325)	(3,933)	(3,325)
	9,930	10,651	9,930	10,651
Loans *(note 18)*	159,647	160,433	159,647	160,433
Total long-term borrowings	169,577	171,084	169,577	171,084

Loans are secured on a portion of the freehold land and buildings of the College.
Term deposits for loan repayments are investments held specifically for the future repayment of loans.

18. BORROWINGS

	Consolidated and College			
	Finance leases		Loans	
	2013 £000	2012 £000	2013 £000	2012 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	1,650	1,650	3,804	3,615
Between two and five years	4,949	4,949	12,667	12,026
Total between one and five years	6,599	6,599	16,471	15,641
Over five years	7,264	7,377	143,176	144,792
Total over one year *(note 17)*	13,863	13,976	159,647	160,433
Within one year *(note 16)*	1,650	22,616	3,615	3,506
	15,513	36,592	163,262	163,939

Loans with interest rates between 7.80% and 9.58% amounting to £39,648,000 are repayable by instalments falling due between 1 August 2014 and 17 September 2027.

On 27 April 2001, the College issued £60m Senior Notes (Notes) with a fixed interest rate of 6.22%. The principal amount is repayable on 27 April 2031. Interest payments are semi-annual, on 27 April and 27 October. The College, at its option, may prepay at any time all or part of the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding, at 100% of the principal amount so prepaid, plus the discounted value of the remaining scheduled payments with respect to the principal amount. As at the year end, it is the College's intention to hold the Notes until its final maturity date.

On 16 May 2008, the College received a £60m secured loan with a fixed interest rate of 4.855%, repayable on 16 May 2048.

Notes to the accounts *continued*

For the year ended 31 July 2013

19. PROVISIONS FOR LIABILITIES AND CHARGES

As explained in the Statement of Principal Accounting Policies, note 13, no provision has been made for the deferred tax on the grounds that the subsidiary companies transfer their taxable profits by gift aid to the College and therefore no deferred tax assets or liability will be realised.

20. DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2012			
Buildings	232,576	130,054	362,630
Plant	28,001	3,106	31,107
Equipment	9,212	5,810	15,022
Total	269,789	138,970	408,759
Cash received			
Buildings	(150)	3,662	3,512
Plant	364	150	514
Equipment	6,777	4,419	11,196
Total	6,991	8,231	15,222
Transferred from endowments			
Buildings *(note 21)*	–	1,330	1,330
Total	–	1,330	1,330
Released to income and expenditure			
Buildings *(note 1)*	(5,954)	(2,641)	(8,595)
Plant *(note 1)*	(2,912)	(248)	(3,160)
Equipment *(note 1)*	(828)	(3,152)	(3,980)
Total *(note 10)*	(9,694)	(6,041)	(15,735)
At 31 July 2013			
Buildings	226,472	132,405	358,877
Plant	25,453	3,008	28,461
Equipment	15,161	7,077	22,238
Total	267,086	142,490	409,576

Notes to the accounts *continued*

For the year ended 31 July 2013

21. ENDOWMENTS

	Consolidated and College		
	Restricted permanent £000	Restricted expendable £000	Total £000
At 1 August 2012	115,338	15,420	130,758
Transfer to deferred capital grants *(note 20)*	(1,330)	–	(1,330)
Additions	1,625	8,444	10,069
Change in value of endowment asset investments	13,056	1,479	14,535
Income for year	3,738	640	4,378
Transferred to Income and Expenditure Account *(note 5)*	(2,986)	(1,339)	(4,325)
At 31 July 2013	129,441	24,644	154,085
Endowment capital	124,729	15,610	140,339
Accumulated income	4,712	9,034	13,746
	129,441	24,644	154,085

	At 1 August 2012 £000	Additions and transfers £000	Change in market value £000	Income £000	Expenditure £000	At 31 July 2013 £000
Funds with income under £100,000						
Scholarships (158 funds)	18,421	302	2,050	562	(369)	20,966
Prize funds (261 funds)	6,068	3	688	188	(29)	6,918
Chairs and lectureships (175 funds)	71,948	9,856	7,951	2,438	(3,037)	89,156
Other funds (77 funds)	10,682	(1,422)	1,142	450	(175)	10,677
Funds with income over £100,000						
Dimbleby Endowment Fund	6,697	–	779	213	(221)	7,468
Newland-Pedley General Fund	13,035	–	1,476	404	(449)	14,466
Richard Dickinson USA Fund	3,907	–	449	123	(45)	4,434
	130,758	8,739	14,535	4,378	(4,325)	154,085

The Dimbleby Endowment Fund is used for cancer research.
The Newland-Pedley General Fund is used to support the Dental School.
The Richard Dickinson USA Fund is used to support research and training fellowships in dentistry.

Notes to the accounts *continued*

For the year ended 31 July 2013

22. RESERVES

	Consolidated £000	College £000
Balance at 1 August 2012	236,797	238,406
Surplus after depreciation of assets at cost and tax	9,565	9,803
Actuarial gain on pension scheme liability	29	29
Balance at 31 July 2013	246,391	248,238
The reserves are:		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	150,585	152,458
Departmental reserves	54,151	54,151
Revenue reserve	42,898	42,872
General reserves	97,049	97,023
Total income and expenditure reserve	247,634	249,481
Pension reserve	(1,243)	(1,243)
	246,391	248,238

Capital reserve

The capital reserve is equivalent to the amount by which the value of tangible fixed assets in the Balance Sheet exceeds long-term borrowings and deferred capital grants. The reserve is set aside to fund depreciation charges on assets that are not being funded by future cash flows.

23. CAPITAL COMMITMENTS

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Commitments contracted at 31 July	40,952	28,214	40,952	28,214
Commitments authorised but not contracted at 31 July	159,788	106,938	159,788	106,938
	200,740	135,152	200,740	135,152

24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2012–13 £000	2011–12 £000
Surplus before tax	9,565	43,627
Depreciation *(note 11)*	24,602	24,654
Deferred capital grants released to income *(note 20)*	(15,735)	(16,506)
Investment income *(note 5)*	(6,395)	(8,191)
Interest payable *(note 8)*	12,233	12,297
Pension scheme FRS17 income and costs	(65)	(33)
Surplus on disposal of tangible fixed assets	–	(5,060)
Decrease/(increase) in debtors	3,686	(15,551)
Increase in creditors	25,211	10,331
Decrease in provisions	–	(2,210)
Net cash inflow from operating activities	53,102	43,358

Notes to the accounts *continued*

For the year ended 31 July 2013

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012–13 £000	2011–12 £000
Income from endowments *(note 21)*	4,378	3,657
Interest received	2,070	2,246
Interest paid	(7,900)	(7,952)
Net cash outflow from returns on investments and servicing of finance	(1,452)	(2,049)

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012–13 £000	2011–12 £000
Tangible assets acquired *(note 11)*	(72,807)	(61,388)
Investments acquired	(13,611)	(11,970)
Endowment asset investments acquired *(note 14)*	(11,828)	(52,614)
Total tangible and investment assets acquired	(98,246)	(125,972)
Receipts from sale of tangible assets	–	5,240
Receipts from sale of endowment assets *(note 14)*	13,129	44,455
Deferred capital grants received *(note 20)*	15,222	16,457
Endowments received *(note 21)*	10,069	4,045
Net cash outflow from capital expenditure and financial investment	(59,826)	(55,775)

27. MANAGEMENT OF LIQUID RESOURCES

	2012–13 £000	2011–12 £000
Movement in endowment assets *(note 14)*	(10,093)	4,431
Net cash movement from management of liquid resources	(10,093)	4,431

28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	2012–13 £000	2011–12 £000
Borrowings repaid	(3,506)	(3,330)
Repayment of capital element of finance leases	(2,258)	(196)
Net cash outflow from financing	(5,764)	(3,526)

29. ANALYSIS OF CHANGES IN NET CASH

	At 1 August 2012 £000	Cash flows £000	Other changes £000	At 31 July 2013 £000
Cash at bank and in hand	220,613	(24,033)	–	196,580
Endowment asset investments *(note 14)*	7,329	10,093	–	17,422
	227,942	(13,940)	–	214,002
Debt due within one year	(5,156)	5,156	(5,265)	(5,265)
Debt due after one year	(171,084)	608	899	(169,577)
Net cash	51,702	(8,176)	(4,366)	39,160

Notes to the accounts *continued*

For the year ended 31 July 2013

30. PENSIONS

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). USS provides benefits based on final pensionable salary for academic and related employees of all UK universities and some other employers. SAUL provides similar benefits for non-academic staff. These are externally funded centralised defined-benefit schemes which are contracted out of the Second State Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if the schemes were defined-contribution schemes and pension costs are based on the amounts actually paid in accordance with paragraphs 8–12 of FRS17.

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was as at 31 March 2011 using the projected unit method. The assumptions that have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Valuation rate of interest	4.4%	6.1%
Salary scale increases per annum	4.4%	4.4%
Pensions increases per annum for 3 years	3.4%	3.4%
Pensions increases per annum after 3 years	2.6%	2.6%
Market value of assets at date of last valuation	£32,434m	
Value of past service liabilities at date of last valuation	£35,344m	
Deficit of assets at date of last valuation	£2,910m	
Proportion of members' accrued benefits covered by the actuarial value of the assets	92%	

Male members' mortality	S1NA ['light'] YoB tables – no age rating	
Female members' mortality	S1NA ['light'] YoB tables – rated down one year	
The assumed life expectations on retirement at age 65 are:	Males (females) currently aged 65	23.7 (25.6) years
	Males (females) currently aged 45	25.5 (27.6) years

The College's contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries. As part of this valuation, the trustees, after consultation with the employers, determined a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation.

Superannuation Arrangements of the University of London (SAUL)

The latest actuarial valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities.

Discount rate pre-retirement	6.80%
Discount rate post-retirement	4.70%
General salary increases per annum for 3 years	3.75%
General salary increases per annum after 3 years	4.50%
Retail prices index (RPI) inflation	3.50%
Consumer price index (CPI) inflation	2.80%
Pensions increases in payment (excess over Guaranteed Minimum Pension)	2.80%
Market value of assets at date of last valuation	£1,506m
Proportion of members' accrued benefits covered by the actuarial value of the assets	95%
Mortality – base table	Self-administered pension schemes (SAPS) Normal Health (year of birth) tables with an age rating of +0.5 years for males and –0.4 years for females
Mortality – future improvements	In line with continuous mortality investigation (CMI) 2010 projections with a long-term trend rate of 1.25% per annum

Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustee and the employers agreed to maintain employer and member contributions at 13% and 6% of salaries respectively following the valuation.

Notes to the accounts *continued*

For the year ended 31 July 2013

30. PENSIONS *(continued)*

The next formal actuarial valuation is due as at 31 March 2014, when the above rates will be reviewed.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation (31 March 2011). As part of this valuation, the trustee and employers agreed that no additional contributions would be required to eliminate the current shortfall.

The material changes resulting from the introduction of a career average revalued earnings (CARE) benefit structure apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021.

Prices index for retirement benefits

Under the rules of the Local Government Pension Scheme, pensions are increased in line with Orders made under the Pensions (Increase) Act 1971. Following the government's July 2010 announcement changing the basis of future increases under the Act from the RPI to the CPI, a decrease in pension liabilities was recognised in the year to 31 July 2010 with the corresponding gain recognised as an actuarial gain in the Statement of Total Gains and Losses. In the light of the Urgent Issues Task Force Abstract 48 in December 2010 this accounting treatment was reviewed, and it was concluded that it remains appropriate as the change does not represent an alteration to the scheme rules, but merely a change in the assumption of future pension increases.

Local Government Pension Scheme (LGPS)

The pension scheme offered to staff at the former Chelsea College was the Local Government Pension Scheme (LGPS). No new members are admitted to the scheme.

LGPS is a defined-benefit scheme; the last triennial valuation was undertaken on 31 March 2010.

For the purposes of reporting under FRS17, projected unit method valuations were carried out as at 31 July 2013. The assumptions used and the valuation results are set out below.

		31 July 2013	31 July 2012	31 July 2011
Price increases per annum (RPI)		2.9%	2.6%	3.5%
Price increases per annum (CPI)		2.1%	1.8%	2.7%
Salary increases per annum		3.8%	3.5%	4.5%
Pension increases per annum		2.1%	1.8%	2.7%
Discount rate per annum		3.6%	3.9%	5.3%
Expected return on assets		5.4%	3.9%	4.6%
Life expectancy from age 65 (years)				
Retiring today	Males	20.1	20.0	19.9
	Females	23.8	23.7	23.6
Retiring in 20 years	Males	22.1	22.0	21.9
	Females	25.7	25.6	25.5

Total expense recognised in the Income and Expenditure Account	31 July 2013 £000	31 July 2012 £000
Current service cost	12	10
Interest cost on obligation	207	275
Expected return on scheme assets	(157)	(189)
Past service cost	–	–
Total Income and Expenditure charge	62	96
Expected employer contribution to the scheme in the year to 31 July 2014	74	

Notes to the accounts *continued*

For the year ended 31 July 2013

30. PENSIONS *(continued)*

Expected return on assets	**31 July 2013**		**31 July 2012**		**31 July 2011**	
Fair value of assets and the net expected return on assets by category:	**Rate of return**	**£000**	**Rate of return**	**£000**	**Rate of return**	**£000**
Equities	4.6%	2,062	5.8%	500	7.0%	855
Cash flow matching	3.4%	658	2.8%	1,293	4.0%	3,463
Target Return Portfolio	4.9%	1,272	4.3%	2,252	–	–
Cash	0.5%	44	0.5%	125	3.0%	(43)
Alternative assets	5.4%	351	–	–	–	–
Total fair value of assets		4,387		4,170		4,275
Value of liabilities (defined-benefit obligation)		(5,206)		(5,012)		(4,939)
Value of unfunded obligations		(424)		(495)		(476)
Recognised pension liability		(1,243)		(1,337)		(1,140)

Changes in the present value of the defined-benefit obligation	**2012–13 £000**	**2011–12 £000**
Opening defined-benefit obligation	5,507	5,415
Current service cost	12	10
Interest cost on obligation	207	275
Actuarial losses on obligation	297	272
Past service cost	–	–
Member contributions	3	3
Unfunded benefits paid	(53)	(55)
Benefits paid net of transfers in	(343)	(413)
Closing defined-benefit obligation	5,630	5,507

Changes in the fair value of scheme assets	**2012–13 £000**	**2011–12 £000**
Opening fair value of scheme assets	4,170	4,275
Expected return	157	189
Actuarial gains	326	42
Employer contributions	74	74
Member contributions	3	3
Contributions in respect of unfunded benefits	53	55
Unfunded benefits paid	(53)	(55)
Benefits paid net of transfers in	(343)	(413)
Closing fair value of scheme assets	4,387	4,170

Total amounts recognised in the Statement of Total Recognised Gains and Losses	**2012–13 £000**	**2011–12 £000**
Actuarial losses on obligation	(348)	(232)
Experience gains/(losses)	51	(40)
Actuarial gains on assets	326	42
	29	(230)

Notes to the accounts *continued*

For the year ended 31 July 2013

30. PENSIONS *(continued)*

Return on scheme assets	**31 July 2013 £000**	**31 July 2012 £000**
Actual return on scheme assets	483	231
Expected return on scheme assets	157	189
Actual less expected return on scheme assets	326	42

History of experience gains and losses

	31 July 2013 £000	31 July 2012 £000	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000
Fair value of scheme assets	4,387	4,170	4,275	4,056	3,558
Value of liabilities (funded obligations)	(5,630)	(5,507)	(5,415)	(5,598)	(6,041)
Deficit	(1,243)	(1,337)	(1,140)	(1,542)	(2,483)
Experience adjustments on liabilities	51	(40)	(214)	197	–
Experience adjustments on assets	326	42	300	586	(357)

The above statements are made in compliance with FRS17. However, under current legislation, the College's obligation to fund the pension schemes is defined by the Minimum Funding Requirement (MFR). At the time of the last actuarial valuation of the pension schemes and when the appropriate Schedule of Contributions was prepared following that valuation, the pension schemes had an MFR funding level in excess of 100%.

National Health Service Pension Scheme (NHSPS)

The College also operates the National Health Service Pension Scheme, which is available to staff who immediately prior to appointment at the College were members of that scheme. This is a statutory, unfunded, multi-employer, defined-benefit scheme in which the College is unable to identify its share of the underlying liabilities and assets, and it is therefore accounted for on a contributions basis.

Total pension cost for the College and its subsidiaries

	Consolidated		College	
	2012–13 £000	2011–12 £000	2012–13 £000	2011–12 £000
Contributions to USS	26,108	24,311	26,108	24,188
Contributions to SAUL	4,615	4,425	4,615	4,425
Contributions to NHSPS	4,200	4,083	4,200	4,083
Contributions to other pension schemes	199	200	199	200
Total pension cost *(note 6)*	35,122	33,019	35,122	32,896

Notes to the accounts *continued*

For the year ended 31 July 2013

31. RELATED PARTY TRANSACTIONS

The College maintains a register of the interests of the members of Council and of its standing committees. The register is available for inspection under the Freedom of Information Act 2000.

Due to the nature of the College's operations and the composition of its Council and committees, it is possible that there will be transactions from time to time between the College and organisations with which members of Council and its committees have relationships. If such transactions do occur, they are conducted on an arm's-length basis and in compliance with the College's Financial Regulations and procurement policies.

In particular, the College enjoys a close working relationship with Guy's and St Thomas', King's College Hospital and South London and Maudsley NHS Foundation Trusts under the name of King's Health Partners – a collaboration that aims to combine the best of basic and translational research, clinical excellence and world-class teaching to deliver groundbreaking advances in physical and mental healthcare – which is accredited as an Academic Health Sciences Centre. As a consequence there are recharges between these institutions, as disclosed in these accounts, and senior staff of the College may also hold senior positions in these organisations.

King's College London Students' Union (Union) is an independent charity registered with the Charity Commission, of which the President is also a member of College Council. The College makes an annual grant to the Union.

As permitted under FRS8, no disclosure is made in respect of transactions between the College and its wholly owned subsidiaries.

32. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and College			
	Access funds		Training salaries	
	2012–13	2011–12	2012–13	2011–12
	£000	£000	£000	£000
Balance underspent/(overspent) at 1 August	25	32	(6)	107
Funding Council and Training and Development Agency for Schools grants	227	264	2,184	921
Interest earned	1	1	–	–
	228	265	2,184	921
Disbursed to students	(212)	(263)	(2,168)	(1,034)
Administrative expenses	(7)	(9)	–	–
	(219)	(272)	(2,168)	(1,034)
Balance underspent/(overspent) at 31 July	34	25	10	(6)

Funding Council and Training and Development Agency for Schools grants are available solely for students. The College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.