

Financial Statements

for the year to 31 July 2016

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Chairman's foreword

This is the first occasion on which I have the pleasure to introduce the Report and Accounts for King's College London. I am delighted to have recently assumed the role of Chairman in succession to the Duke of Wellington, who served the university for the past nine years with great distinction. He presided over a period during which King's entrenched its reputation among the world's finest universities. The Council I now chair has the clear intention that King's will continue vigorously to pursue the very highest standards in education and research in the years ahead.

The Report and Accounts presented here show a strong financial performance with a financial surplus of some £60m, including a £38m surplus from property disposals during the year. These firm financial foundations place us in a strong position to develop our ambitious programme of change and transformation that will, in turn, help King's consolidate its global position.

The direction we have set for ourselves is not without its challenges. We must, for example, anticipate significant demographic changes as well as be ready to act on any changes in government policy. In particular, we will need to measure and adapt to the impact of the United Kingdom's decision this year to depart the European Union. Happily, there are also many opportunities. King's has great multidisciplinary strengths and enjoys the formidable academic credibility of King's Health Partners. The university's location in the centre of London is another key strength; new initiatives in business, science, technology and engineering are being facilitated in no small way by the major investment by King's in new high-quality space in Bush House. To advance these and other exciting developments we plan to launch our new fund-raising campaign during 2017.

I feel strongly about the contribution that our great universities can and do make to society at large, not least through their provision of outstanding tertiary education. King's was one of the first Russell Group universities to sponsor a specialist sixth-form school, King's Maths School, which opened its doors in 2014 and, under inspiring leadership, reported A-level results in maths far in excess of national averages. King's is also making good progress in meeting ambitious targets of its own for the admission of students who might otherwise find access to universities such as King's daunting.

The university has launched an initiative to connect and associate more closely with London itself, especially in the city's home boroughs, through a coordinated programme

of civic engagement which will help match the global reach of King's to the needs and interests of local communities.

I am glad to commend this Report and Accounts to all those with an interest in this great university. As a former student and now Fellow of King's, I also wish to congratulate all those charged with and bearing responsibility for the continuing success of King's, especially its students, staff and alumni.

Sir Christopher Geidt
Chairman of Council

Council and Council committee membership 2015–16

Council

The Duke of Wellington MA OBE DL *[Chairman until 31 July 2016]*
 Sir Christopher Geidt KCB KCVO OBE FKC *[Chairman from 1 August 2016]*
 Professor Edward Byrne AC *[President & Principal]*
 Ms Nadine Almanafi *[until 31 July 2016]*
 Dr Claire Craig *[until 31 July 2016]*
 Dr Angela Dean
 Mr Michael D'Souza *[Honorary Treasurer from 1 August 2016]*
 The Hon Sir David Foskett FKC
 Mr Paul Goswell
 Professor Brian Holden Reid FKC
 Mr Ben Hunt *[from 1 August 2016]*
 Ms Ros King
 Professor Sir Robert Lechler KBE FKC
 Baroness Morgan of Huyton *[Vice-Chairman from 1 August 2016]*
 Mr Chris Mottershead
 The Right Revd Dame Sarah Mullaly *[from 22 December 2015]*
 Professor Karen O'Brien *[until 31 July 2016]*
 Sir Nigel Sheinwald
 Mr Andrew Summers CMG
 Mr Rory Tapner FKC *[Vice-Chairman & Honorary Treasurer until 31 July 2016]*
 Ms Nhuoc Lan Tu *[from 1 April 2016]*
 Professor Evelyn Welch
 Professor The Baroness Wolf CBE

Chairman's Committee

The Duke of Wellington MA OBE DL *[Chairman until 31 July 2016]*
 Sir Christopher Geidt KCB KCVO OBE FKC *[Chairman from 1 August 2016]*
 Professor Edward Byrne AC *[President & Principal]*
 Mr Michael D'Souza *[Honorary Treasurer from 1 August 2016]*
 Mr Paul Goswell
 Professor Sir Robert Lechler KBE FKC
 Baroness Morgan of Huyton *[Vice-Chairman from 1 August 2016]*
 Mr Chris Mottershead
 Professor Karen O'Brien *[until 31 July 2016]*
 Sir Nigel Sheinwald
 Mr Andrew Summers CMG

Mr Rory Tapner FKC *[Vice-Chairman & Honorary Treasurer until 31 July 2016]*

Professor Evelyn Welch

Finance Committee

Mr Rory Tapner FKC *[Chairman & Honorary Treasurer until 31 July 2016]*
 Mr Michael D'Souza *[Honorary Treasurer from 1 August 2016]*
 Professor Edward Byrne AC *[President & Principal]*
 Mr Peter Clarke
 Mr Tony Collyer
 Mr Ian Creagh FKC *[until 4 October 2016]*
 Dr Angela Dean
 Mr Stephen Large
 Mr Richard North
 Mr Andrew Scott
 Dr Ian Tebbett *[from 5 October 2016]*
 Mr Michael Urmston
 Professor The Baroness Wolf CBE

Audit, Risk & Compliance Committee

Mr Andrew Summers CMG *[Chairman]*
 Professor Susan Brain
 Ms Christy Burzio
 Professor Brian Holden Reid FKC
 Mrs Sarah Hopwood
 Ms Ros King
 Mr Keith Little
 Mr Paul Mitchell
 Mr Rory Tapner FKC *[until 31 July 2016]*

Investment Subcommittee

Mr David Morgan *[Chairman]*
 Professor Edward Byrne AC *[President & Principal]*
 Dr Angela Dean
 Mr Rob Gambi
 Mr John Harrison
 Mr Patrick Johns
 Mr Stephen Large
 Mr Mark Laurence
 Mr David Potter FKC
 Mr Simon Pryke

Estates Strategy Committee

Mr Paul Goswell *[Chairman]*
 Professor Edward Byrne AC *[President & Principal]*
 Mr Ian Creagh FKC *[until 4 October 2016]*
 Mr David Cripps
 Mr Ian Ellis *[until 31 July 2016]*
 Mr Stephen Large
 Professor Sir Robert Lechler KBE FKC
 Mr Ralph Luck
 Mr Daniel Peltz FKC
 Dr Ian Tebbett *[from 5 October 2016]*
 Professor Evelyn Welch

Operating and financial review for the year ended 31 July 2016

Key facts

	2015–16	2014–15
Total comprehensive income for the year	£60.4m	£54.2m
Total income	£738.3m	£703.5m
Net cash flow from operating activities as a % of total income	9.0%	13.0%
Discretionary reserves as a % of total income	94.1%	90.0%
External borrowings as a % of total income	41.2%	43.5%
Net liquidity days	167 days	181 days
Staff numbers, average headcount	6,215	5,859
Student numbers, full-time equivalent (July return to the Higher Education Statistics Agency, HESA)	24,076	22,807
Research: new and renewed awards (forward order book)	£158.1m	£186.8m
Fund-raising: new cash and pledges for the university and partners	£52.6m	£69.6m

Operating highlights

The results for this year and the prior year comparatives are stated under the new financial reporting standard (FRS102). The new standard affects, among other things, the way we report capital grants and philanthropic gifts, which are now included as part of comprehensive income. Valuation movements in respect of endowment funds and pension actuarial calculations are also included. The combination of these changes is likely to increase the volatility of the results from year to year.

We are pleased to report £60.4m comprehensive income for the year. This includes £37.9m surplus from the disposal of the northern part of the Hampstead student accommodation. The property disposals are part of a short-term funding strategy that will enable us to finance investment while we grow and transform the university through a number of new academic initiatives.

The underlying operating performance was better than plan, due both to strong results in educational income (particularly the recruitment of international students)

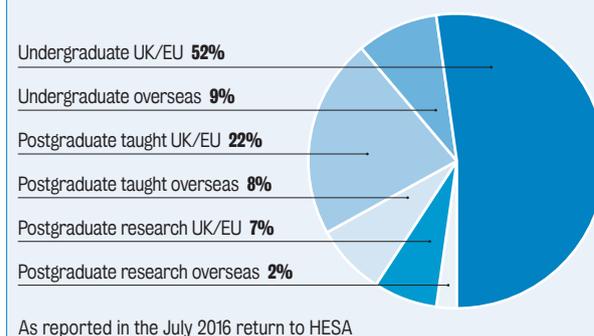
and to slower than expected investment in new faculty appointments. Our research income for 2015–16 was some £3.3m below 2014–15 (after adjusting for research and development tax credits in both years), which reflects a return to normal levels of research awards following particularly strong performance in the preceding two years.

The university continued to progress the King's Futures programme of change and transformation intended to advance its position as a global top-20 university. This will be achieved through a range of new academic initiatives, including a new business school and building on existing strengths in science, technology and engineering. The fit-out of the Bush House properties was progressed and they were partly occupied shortly after the year end. They will accommodate the new business school as well as growth in informatics and social sciences, and deliver additional high-quality lecture and teaching facilities. The buildings will also provide a new home for the Students' Union and student support services, together with a range of informal learning spaces including bars, cafés and places for both staff and students to network and socialise.

At the beginning of this year King's signed an agreement with Pearson, the world's leading educational management company, to deliver new online postgraduate courses. They are designed to bring a King's education to a wider audience of students with the flexibility to study at a time and place convenient for them. The university launched two successful programmes in 2015–16 in law and psychology, with further courses to follow in 2016–17. It is expected that some 3,000 additional students will study at King's via the distance learning programmes over the next three years.

King's launched a range of initiatives to strengthen the professional services support for faculty, including additional investment in training and development, and commenced procurement of new enterprise applications to replace existing finance and human resources systems in order to simplify business processes and enhance reporting and management information across the university.

Students by category, July 2016



Sustainability

King’s monitors a wide range of academic, environmental and financial-sustainability metrics.

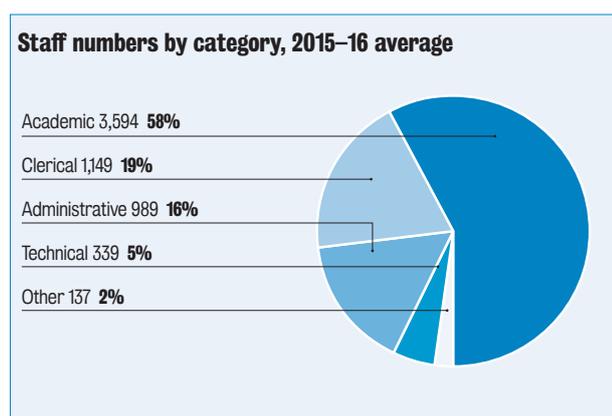
Credit rating	2015–16	2014–15
Standard & Poor’s	AA-	AA

The downgrading of the university’s credit rating reflects the lowering of the sovereign rating for the UK following the outcome of the referendum in which the country voted to leave the EU. However, the outlook is stable, in accordance with Standard & Poor’s view that King’s will maintain its strong enterprise profile, with rising student demand as it embarks on its expansion strategy.

Diversity and inclusion (from the July 2016 return to HESA)	2015–16	2014–15
Overseas students: % of total student intake	26.3%	25.2%
Staff: % of female professors	24.6%	24.3%
Black and minority ethnicity (BME) students: % of total intake	38.4%	36.7%
Students: % attainment gap in first-class degrees for BME students	(4.3)%	(8.0)%

King’s is committed to embedding good diversity and inclusion practice into all of its activities so that it becomes a richer and more diverse place to work and study. The university has a dedicated Disability Advisory Service which provides information and support to disabled students and advises staff about engaging with disabled students. The work of the Diversity & Inclusion team includes:

- advising on best practice in equalities – in particular, ensuring the university is meeting its obligations under the Equality Act 2010
- developing university strategy, policy and actions in relation to equalities
- maintaining the university’s staff networks and facilitating two-way communication to inform policy



- delivering equality and diversity training for staff and students
- initiating positive-action initiatives such as mentoring schemes
- facilitating progress with external charter marks such as Athena SWAN.

King’s continued to perform strongly in the various global league table rankings

Global university rankings

Quacquarelli Symonds (QS) World Rankings	21st (2015–16)	19th (2014–15)
Times Higher Education (THE) World Rankings 2016–17	36th (2016–17)	27th (2015–16)
Shanghai Jiao Tong (SJT) Academic Ranking of World Universities	50th (2016)	55th (2015)
Combined global ranking (QS, THE and SJT)	36th (2015–16)	34th (2014–15)

Student experience	2015–16	2014–15
Undergraduate National Student Survey (NSS) results, composite score ¹	85.0%	83.5%
Postgraduate Taught Experience Survey (PTES) results, composite score ²	84.1%	83.6%
Undergraduate entrants’ average entry tariff points ³	453.2 (2015)	451.3 (2014)
Student employability ⁴	88.0%	85.7%

King’s regularly monitors its performance against a range of environmental objectives and sustainable development policies. These include policies for energy and carbon management, waste management and green transport. Performance against a range of environmental objectives is summarised in the annual *Green Book* which is made available across the university.

King’s has been an active participant in debates concerning ethical investment. The Investment Subcommittee of the university considers socially responsible investment as part of its asset allocation and investment manager selection process. The King’s endowment is invested in funds that are reviewed to ensure they operate within both the letter and spirit of its ethical investment policy, and in future they will also be considered against a set of core principles that include:

¹ The composite score is the equally weighted average of the ‘Teaching’, ‘Learning’ and ‘Overall satisfaction’ sections from the NSS.
² The composite score is the equally weighted average of the ‘Teaching’, ‘Learning’ and ‘Overall satisfaction’ sections from the PTES.
³ HESA, based on registered undergraduate students (data one year in arrears).
⁴ Destination of Leavers from Higher Education, UK/EU undergraduates in graduate-level work or further study six months after completing their course (data one year in arrears).

- transparency
- beneficence – doing good
- non-maleficence – doing no harm
- respect for academic freedom
- respect for freedom of speech within the law
- fairness
- truthfulness
- justice.

Following the outcome of the EU referendum King’s put in place a number of initiatives, including:

- setting up a special external site with information for prospective students
- offering 2016-entry undergraduates the opportunity to pay their fees in advance in order to take advantage of favourable exchange rates
- a series of campus meetings for EU national staff, assisted by a specialist employment and immigration lawyer
- further specialist legal briefings at each campus in September to help EU national staff and their families with applications for British citizenship or permanent residency
- interest-free loans for employees to help with the costs of applying for permanent residency or British citizenship.

King’s is reviewing the longer-term implications of the EU referendum decision for its wider international strategy and growth plans.

King’s has nearly 150 agreements with European universities, including over 100 student exchange programmes. Contact with major partners since the EU referendum result has been encouraging and positive. Around 12% of its total research grants and contracts income came from Horizon 2020 and other EU sources. King’s will work through umbrella organisations such as Universities UK and the Russell Group to engage with issues of concern to the university sector, in particular staff and student mobility and access to European research funding.

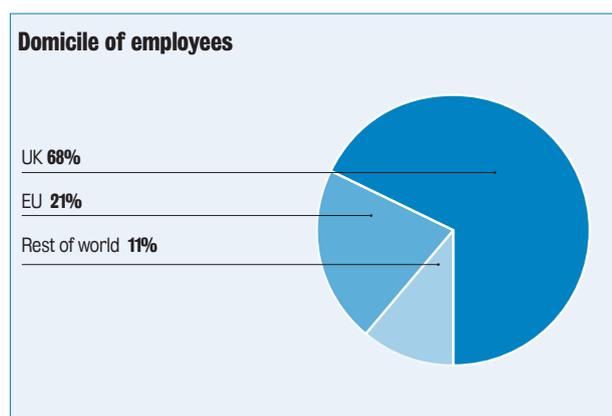
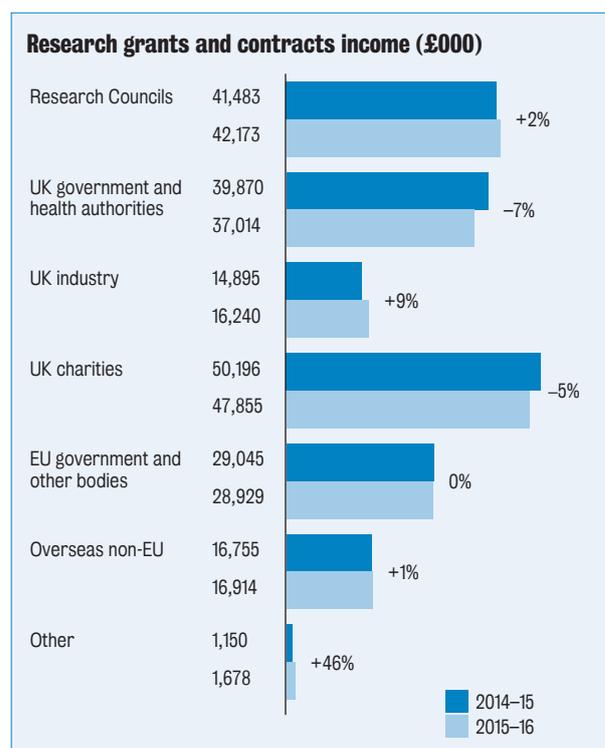
Research

Research income has been rising steadily over the past five

years, but the value of new awards during 2015–16 (the forward order book) has fallen against 2014–15 levels. This largely reflects the return to more usual levels of new awards following very strong performance in the previous two years.

Research awards and renewals	2015–16 £000	2014–15 £000	Increase/ (decrease) £000
Arts and Sciences faculties	26,617	35,549	(8,932)
Health faculties	131,351	151,156	(19,805)
Other	94	84	10
Total King’s	158,062	186,789	(28,727)

Research income recognition tends to lag some 12–18 months behind the initial award. Although income has remained flat in 2015–16, further reductions are expected to materialise over the next year or so.



The decision to leave the EU will have some implications for research at King’s in terms of its ability both to attract the best staff and to access European research funding. The university has taken action to reassure and support existing research staff and is reviewing the research strategy so King’s can more flexibly respond to future policy changes as the implications of Brexit become clearer.

The government has announced some safeguards for universities bidding for European research funding to provide some certainty and maintain the UK’s status as a world leader in science, research and innovation. This includes underwriting funding for approved Horizon 2020 projects

applied for before the UK leaves the EU, even when specific projects continue beyond the UK's departure date. The announcement includes reassurance to applicants from the UK's research and innovation base when applying for EU research funding.

King's is beginning to prepare for the Research Excellence Framework (REF) 2020, taking into account the findings of an independent review of university research funding by Lord Nicholas Stern. It makes recommendations on the future operation of research assessment through the REF and examines how university research funding can be allocated more efficiently so that universities can focus on carrying out world-leading research. Consultation between the funding bodies and the university sector will continue through 2016–17.

King's has achieved some notable research successes during the year, exemplified by the following.

- King's is the academic partner on two renewed National Institute for Health Research (NIHR) Biomedical Research Centres, with a total value of £130m, placing it second in the UK for NIHR funding.
- King's was third in the UK this year for new Medical Research Council (MRC) awards, with the highest success rate of any institution; total value increased from £22m to £27m.
- The Institute of Psychiatry, Psychology & Neuroscience successfully led a €25m bid to the EU Innovative Medicines Initiative. The funding, which includes major contributions in kind from industry, will support the development of technologies for remote assessment and diagnosis of diseases, focusing on epilepsy, depression and multiple sclerosis.
- The Division of Imaging Sciences was awarded £4.1m by the Wellcome Trust to create a high-field magnetic resonance imaging clinical research facility. This places King's at the centre of London's medical imaging community as it will be hosted on behalf of the major London institutions, who partner the university in the award. Further successes in this area came in the form of a major EU collaborative grant in imaging forces inside cancer cells and tumours (£1.7m to King's), and an award to develop a new method for image-guided treatment of cardiac disease (Wellcome Trust, £1.7m).
- A multidisciplinary team of King's academics received £2.7m from the MRC to lead a programme improving understanding of chronic pain and stratifying treatment options for patients; another team received £1.5m under the same call to study schizophrenia.
- The MRC Centre for Neurodevelopmental Disorders, a cross-faculty collaboration linking basic neuroscience to clinical disorders, was awarded £3.5m.
- King's academics are leading a £3.3m MRC-funded clinical trial of regulatory T-cell therapy for inflammatory bowel disease.
- The Faculty of Arts & Humanities successfully led a £2m project in Language Acts and Worldmaking, supported by the Arts & Humanities Research Council.
- The £5.5m contract with SERCO was renewed and provides academic services to the armed forces.

Other important successes included:

- Fingerprinting ivory: scientists from King's and University College London have collaborated with imaging and fingerprint experts from the Metropolitan Police to investigate the possibilities of fingerprinting on ivory, which may help to identify poachers. Because of its ridged and porous surface, ivory had previously been considered a difficult material from which to obtain fingerprints. This study found, however, that newer, reduced-size powders were able to provide clearer, usable fingerprint detail that is vital for identifying the subject. The equipment required to put this form of fingerprinting into practice is inexpensive and relatively easy to procure, making it a simple, cost-effective forensic tool to combat wildlife crime.
- A new trial for Type 1 diabetes: the search for a treatment for Type 1 diabetes (which affects over 400,000 people in the UK) has been stepped up with the start of a new phase one clinical trial at Guy's Hospital. The immunotherapy treatment MultiPepT1De is being developed to target the autoimmune attack that leads to the development of Type 1 diabetes, in which cells in the pancreas that make insulin are killed by the immune system. The new therapy will use fragments of the proteins known as peptides in an effort to stop this process by 'switching off' the specific autoimmune attack and, it is hoped, preventing further destruction of the pancreatic cells. MultiPepT1De is currently being trialled on 24 people with Type 1 diabetes. If it is successful in larger studies, it has the potential to transform the lives of sufferers. During the past decade, the number of people in the UK with diabetes has risen by around 65%, and treating diabetes is currently estimated to cost the NHS around £10 billion per year.
- Brain stimulation and anorexia: core symptoms of anorexia nervosa, including the urge to restrict food intake and feeling fat, are reduced after just one session of a non-invasive brain stimulation technique, according to King's research. The new study is the first randomised control trial to assess whether repetitive transcranial stimulation (rTMS), already an approved treatment for depression, is also effective in reducing symptoms of anorexia. The technique alters neural activity by delivering magnetic pulses to specific regions of the brain,

which feels like a gentle tapping sensation on the side of the head. In the study, 49 people completed food-exposure and decision-making tasks both before and after a session of either real or placebo rTMS. Given the promising findings from the study, researchers are now assessing whether rTMS has longer-lasting therapeutic benefits in a world-first clinical trial of rTMS treatment involving 20 rTMS sessions for people with anorexia nervosa.

- Vitamin C could protect against cataracts: the first twin study to examine whether genetic and environmental factors influence the progression of cataracts with age has shown that higher dietary intake of vitamin C has a potentially preventative effect. Cataract is a common condition in which the lens of the eye becomes cloudy as a result of oxidation over time, and cataract surgery is the most common operation performed in the UK, with more than 300,000 procedures carried out each year. The study, led by King’s and published in the journal *Ophthalmology*, looked at the progression of cataracts in the eyes of 324 pairs of female twins from the Twins UK registry over 10 years, examining photographs of the participants’ lenses and measuring their intake of vitamin C through a food questionnaire. The fluid in the eye that bathes the lens is high in vitamin C, which helps to stop the lens from oxidising and protects it from becoming cloudy; it is thought that increased intake of vitamin C increases the vitamin C available in the eye fluid.

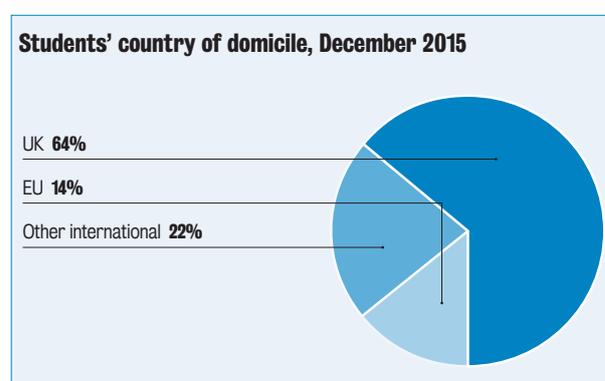
Teaching and learning

Undergraduate and taught postgraduate numbers have increased significantly year on year as a consequence of new academic initiatives and growth in existing areas of strong demand.

Student numbers (full-time equivalent)	July 2016	July 2015	Change
Undergraduate	15,622	14,822	800
Postgraduate taught	6,063	5,627	436
Postgraduate research	2,391	2,358	33
Total	24,076	22,807	1,269

King’s had a very successful 2015–16 student admissions cycle with many areas exceeding targets, particularly in the Arts and Sciences faculties and at the postgraduate taught level of study. 2015–16 saw the graduation of the first students who entered under the higher fees regime introduced in 2012–13. It might have been expected that the greater levels of student debt associated with the current regime would adversely affect application rates for postgraduate study in 2016–17, but there is no evidence that new graduates are being deterred from postgraduate study.

The result of the EU referendum is expected to have an effect on student recruitment. As the decision to leave the EU was announced at a stage when many King’s applicants had already paid deposits, confirmed accommodation or otherwise committed to their programme of study for the 2016–17 year, the initial impact on applications and enrolments is unlikely to be significant. Looking forward, however, there is more uncertainty and the latest UCAS data is reporting a decline in EU student applications. In response, the UK government has confirmed that EU students commencing in 2017–18 can continue to access student loans for the duration of study. The position of EU students starting in later admissions cycles remains unclear and subject to future government policy.



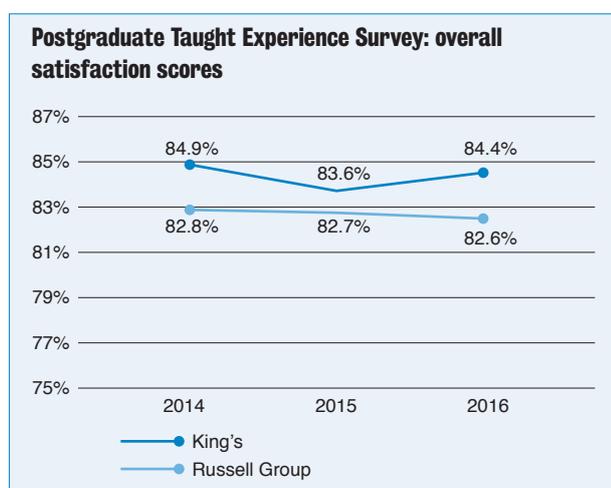
The National Student Survey (NSS) is an annual survey of final-year undergraduate students and contributes towards a number of UK university league tables. It records the proportion of responding students expressing satisfaction in seven areas of assessment.

National Student Survey: satisfaction scores	Change 2015–2016	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Teaching on my course	▲	88	86	88	86
Assessment and feedback	—	61	61	62	61
Academic support	▲	76	75	77	75
Organisation and management	▼	73	74	76	74
Learning resources	▲	88	83	87	83
Personal development	▲	79	78	80	78
Overall satisfaction	▲	82	81	83	81

Results for NSS 2016 show some improvement on the previous year and are comparable to those of our benchmarked institutions, but we are still disappointed with the overall outcome. Work continues on a programme of action to ensure that student satisfaction continues to improve.

While the overall level of student satisfaction falls short of expectations, there were some notable successes and strongly performing departments, with German, Spanish & Portuguese and Genetics reporting satisfaction rates of 100%. Rates of 90% and above were recorded in Comparative Literature, English Language & Literature, French, War Studies, Anatomy & Human Sciences, Biochemistry and Physiotherapy.

The results of the national Postgraduate Taught Experience Survey show another pleasing improvement for 2016. It is good to note that the overall satisfaction levels of students on King's programmes continue to be above the average for the Russell Group.



The 2016 QS World University Rankings reported pleasing results for a number of King's disciplines: Pharmacy & Pharmacology rose from 12th to 4th place in the world (3rd in the UK); Medicine rose four places to 21st (5th in the UK); and Nursing at King's scored first in the UK. These rankings highlight the world's top universities across 42 popular subject areas, and this is the first year that nursing has been included in the subject list. Institutions are assessed on academic reputation, citations to publications and employer reputation; King's Florence Nightingale Faculty of Nursing & Midwifery achieved 89.6% overall, with 99.9% for academic reputation and 87% for citations per paper.

Trainee teachers at King's receive an outstanding training, according to the latest Ofsted Initial Teacher Education Inspection Report. King's has more than 200 PGCE students and offers three routes to qualified teacher status for graduates wishing to teach secondary-school students. A team of six Ofsted inspectors observed 15 lessons taught by King's trainee teachers and 12 lessons led by newly qualified teachers in 24 schools in London and the South East. They held discussions with some 30 trainees, newly qualified teachers, academic tutors, headteachers and other school-based staff and concluded that there was outstanding leadership at all levels.

King's again performed particularly well in terms of the number of graduates who had moved into graduate-level employment or study six months after graduation, as measured by the HESA Destinations of Leavers from Higher Education Survey. It showed that at least 88% of King's graduates from all levels of study were in work or study at that point. This measure of 'graduate prospects' is used by all of the domestic university league tables, and the latest data reveal a 2.3% increase for King's this year, placing it in the top quartile of the Russell Group for graduate prospects.

In July 2016 the Office for Fair Access (OFFA) approved King's 2017–18 access agreement. The university continued to make good progress against ambitious targets both for enrolment of full-time first-degree entrants on Higher Education Funding Council for England (HEFCE)-funded programmes from state schools and for enrolment of students from classes 4 to 7 in the National Statistics age-adjusted Socio-Economic Classification system (NS-SEC). King's is also on track to meet its targets for the number of entrants from its K+ programme of activities and academic workshops for sixth-formers in non-selective state schools or colleges in Greater London, which helps support their university application and provide the skills needed once they enrol. (K+ is a two-year programme of events, activities and academic workshops created to encourage bright students to apply for courses at research-led universities such as King's.)

New initiatives detailed in King's access agreement included:

- a full institutional evaluation framework and increasing evidence base
- a sector-leading collaboration with the Brilliant Club, an award-winning charity that exists to widen access to highly selective universities for pupils from under-represented groups
- a special admissions consideration procedure
- activities with younger students and mature learners
- activities to support university access by care-experienced students
- on-course maths support for non-maths students
- a BME attainment project.

King's increased its outreach and widening participation activity as well as supporting retention via the King's Student Hardship Fund (replacing HEFCE's Access to Learning Fund, which was withdrawn). 'Start Up' bursaries were introduced to support students who successfully completed the K+ scheme.

At the beginning of 2015 King's established the Entrepreneurship Institute, a leading hub of ideas and innovation for students, staff and alumni. The institute has engaged with more than 5,000 students over two years, supporting them in developing entrepreneurial mindsets, generating ideas and inspiring them to create their own

entrepreneurial plans. Its business competition has seen an annual 100% increase in applications. There is an accelerator programme consisting of 20 ventures, with a strong focus on farming and agriculture, fashion and literature, health technology, and financial technology. The ventures involve 55 entrepreneurs who come from 22 different countries. Within the accelerator 25% of participants are female, 70% are from BME backgrounds and 25% are widening participation students or recent graduates. Ideas developed at the institute in 2015 employ over 20 individuals and have gone on to raise over £1m of direct investment.

The Higher Education and Research Bill proposes a number of structural changes to the regulatory and funding landscape for universities, including the Teaching Excellence Framework (TEF), the purpose of which is to rebalance the relationship between teaching and research in universities. Under the TEF, universities deemed to have excellent teaching will have the right to increase home undergraduate fees in line with inflation. The current level of fee has been unchanged since 2012 and its value to universities has been eroded by inflation in the intervening period. King's will consider and reach a conclusion on the first year of the TEF at the meeting of Council in November 2016.

The 2015 Spending Review announced changes to the funding regime for students on midwifery, nursing and allied health-profession programmes. Those starting in 2017–18 will no longer have their tuition fees funded by the NHS, and means-tested bursaries will be withdrawn. Instead, they will pay the same fees as other home undergraduates (currently capped at £9,000) and will have access to loans to fund living costs. For King's this will ultimately affect some 1,500 students studying nursing, midwifery, physiotherapy and dietetics. It is uncertain what impact the change will have on applications, and the 2017 admissions process will be carefully monitored.

Partnerships

The Francis Crick Institute (the Crick) was established in November 2010 and is a unique partnership between the MRC, Cancer Research UK, the Wellcome Trust and three universities – King's, University College London and Imperial College London – with a distinctive vision for biomedical research. The construction of the new building near King's Cross and St Pancras in central London was completed in August 2016. Researchers have begun to move into the new laboratories in a phased process that will take a number of months. In the first year some 23 King's researchers will be based at the Crick for periods of between three and six years, thereafter returning to the university. In steady state King's expects to have around 70–80 researchers based at the Crick.

As one of England's six Academic Health Science Centres (AHSCs) accredited by the Department of Health,

King's Health Partners (KHP) brings together a world-leading research-led university (King's) and three successful NHS Foundation Trusts (Guy's and St Thomas', King's College Hospital, and South London and Maudsley). The role of AHSCs is to align NHS organisations and their university partners in world-class research, health education and patient care, and to improve healthcare by increasing the translation of discoveries from basic science into patient benefits. During the year the new mental health Acute Care Clinical Academic Group became fully operational. It brings together researchers and clinical academics to provide a single pathway across the South London and Maudsley NHS Foundation Trust's adult-care provision.

In September 2016, shortly after the year end, a new Cancer Centre was opened on the Guy's Campus. The centre brings together treatment and research in an innovation hub that will increase capability in designing and conducting clinical trials for new cancer treatments. The hub will encourage cross-fertilisation of ideas between researchers and clinicians so that discoveries with potential impact can be advanced more rapidly and successful approaches to treatment and care for one cancer type can be tested quickly in others.

King's has over 300 partnership agreements with leading, like-minded institutions across the globe. Such partnerships with the best universities enable the pooling of expertise to create valuable and effective research. They allow people to tap into specific knowledge from a certain field of study or geographic region, and they create opportunities for King's students to get invaluable experience living and studying in a new environment as part of their degree.

The types of partnership vary depending on the needs of students and academics from both institutions; they can include:

- joint and dual degrees
- student mobility and exchange
- research collaboration
- academic and professional services staff exchange
- joint workshops, symposia and conferences
- global health partnerships, which have enabled King's to tackle Ebola, cancer, HIV and mental health.

In February 2016 King's, Arizona State University and the University of New South Wales came together to form the PLuS Alliance, a new partnership to find research-led solutions to global challenges and expand access to world-class education, in particular online teaching and learning. The PLuS Alliance will harness the collective research strengths of the three universities to address globally significant issues under the broad theme of sustainable development, and specifically those related to global health, social justice, sustainability and innovation. A number of joint research fellows were appointed during the year.

International

The new International Strategy, approved by Council in June 2015, sets out five priorities for the university:

1. attract the best international minds to King's
2. provide an internationalised curriculum and student experience
3. invest in strategic partnerships with world-class institutions
4. raise King's profile as a thought-leader in areas of global significance
5. create an ethical and enabling environment for King's international activities.

All international activity during the year focused on supporting King's to meet these aims. The College International Committee was established as a subcommittee of the Academic Board to oversee governance of the strategy and, in particular, agreements with international institutions. Vice-Deans International were appointed for each faculty to lead on faculty-level strategy-setting and implementation. They have also played a key role in communicating the aims of the strategy.

By cultivating global partnerships, King's academics continue to produce significant research that changes lives. The King's Sierra Leone Partnership, for example, was recognised in November 2015 by Times Higher Education with the Award for International Collaboration of the Year for its work in developing sustainable health services with West African institutions. In December 2015, a ground-breaking collaboration between King's Florence Nightingale Faculty of Nursing & Midwifery and the Nanjing Health School in China was formally agreed. This exciting five-year project will see King's provide consultancy, education and training to the next generation of nurses in Nanjing, alongside the establishment of the Nanjing Nightingale Nursing College.

Research with universities in Canada and Hong Kong has revealed previously unknown truths about air pollution with real potential to change the way megacities are built. Digital Humanities' involvement with over 20 partners on the European Holocaust Research Infrastructure project has resulted in the launch of Europe's largest digital Holocaust archive, an online portal providing access to rich information about more than 1,800 Holocaust-related archival institutions in 51 countries, and to descriptions of tens of thousands of archival materials. Academics from the Dickson Poon School of Law are shaping thinking on topics from post-conflict zones in Africa to the definition of marriage in Europe and Latin America.

King's is heavily involved in cancer research with institutions in, among other places, China, Chile and India. The joint institute for medical research established with Peking University Health Sciences Center in late 2013 now includes cancer, cardiovascular care, dentistry and mental

health. Work in female depression and HIV as part of the Division of Women's Health continues to improve lives in both the local, multicultural, inner-city population of London and worldwide. King's Institute of Psychiatry, Psychology & Neuroscience has been working with researchers across 10 countries to identify health-system barriers and find robust, affordable ways to strengthen mental healthcare provision in order to close this treatment gap in Ethiopia, India, Nepal, Nigeria, South Africa and Uganda. In Pharmaceutical Science, academics and students are carrying out research with the University of Sao Paulo in Brazil to discover potentially revolutionary new antibiotics using the venom from jellyfish stings.

King's faculties have been working with colleagues in Europe on various projects developing new technologies, including research into 5G tactile internet telecommunications with Ericsson and the Technical University of Dresden. A consortium of British and Dutch researchers has uncovered a way of detecting drugs in the bloodstream from a single fingerprint, a method that could provide a non-invasive alternative to current methods.

While widening and strengthening its network of global partners, King's has provided support for international mobility among staff and students, alongside new education and research opportunities within the global themes of sustainability, defence and security, global health, culture and identity and beyond. King's Professional & Executive Development continued to deliver professional training to international governments, influential companies and future leaders, working with the Foreign & Commonwealth Office, Roche and the Chinese Health Trust, among others. King's London Summer Programmes attracted young people from over 70 countries wanting to expand their knowledge at a prestigious university. Offices in Brazil, China, India and the USA complete King's global network, building relationships with local research, commercial, alumni and student communities.

The number of incoming Study Abroad students increased in 2015–16 to represent 10% of King's total international cohort of 10,000 students, while 25% more students went abroad during the year. A new Widening Participation Mobility Programme was fully subscribed and King's Global Opportunities international internship programme was launched.

Following the UK vote to leave the EU, King's commitment to supporting both staff and students has been unequivocal and it has emphasised its pride in being an international, diverse and inclusive university. Strong messages of support to and from international partners, especially in Europe, endorsed its ongoing commitment to international collaboration and close bonds with overseas partners. While the EU referendum has introduced

challenges, King's is firmly committed to global interactions and to ensuring that the UK maintains its profile as an international nation open to engaging with the rest of the world. Continued support will be extended to students and staff who have been affected by the results of the referendum, and the portfolio of world-class education and research will be maintained through dedicated support for international collaboration.

Capital investment

The King's estate is an important and valuable asset which enables high-quality teaching and research to take place. Continuing investment in the estate is necessary to maintain and improve educational and research infrastructure and ensure the university has the built environment to enable all staff and students to flourish. The forward capital plan identifies the academic investment needs of the next few years and makes assumptions about the availability of funding to finance this expenditure, including philanthropy, property disposals, capital grants, external finance and partnering arrangements as well as future operating surpluses.

King's invested £88.4m during the year:

	2015-16 Investments £m	Capital commitments £m
Student facilities	32.7	9.2
Infrastructure	28.8	12.1
Research	26.9	12.4
	<u>88.4</u>	<u>33.7</u>

The largest investments during the year were:

Bush House – a major redevelopment to accommodate planned growth in business, social sciences and informatics and to release existing poor estate for disposal	£18.2m
Cancer Centre – part of a much larger development to provide research infrastructure within the new Cancer Centre at Guy's Hospital	£15.0m
Professional services – opening up existing office space to support new ways of working and increased space utilisation	£7.0m
Science Gallery – part of a larger public engagement scheme	£5.5m
Borough High Street – property development	£5.5m
Refurbishment of teaching laboratories for Chemistry	£3.0m
Work to accommodate undergraduate psychology teaching	£2.6m
Clinical skills student facility	£1.5m
Upgrade of audio-visual facilities in teaching rooms	£1.3m

Future committed investments include £6.4m for small research kit and £4.6m to fit out the Maurice Wohl Clinical Neuroscience Institute at Denmark Hill. Among infrastructure elements are a range of projects, from investment in technology to infrastructure maintenance. Commitments for student facilities include the next stage of the Bush House development and ongoing investments to upgrade the quality of the learning environment across all campuses.

King's has committed to significant investment in IT of £30m over three years to replace and upgrade its educational, research and enterprise systems. This includes replacement of the finance and human resources systems together with significant enhancements to the student record system. It will enable re-engineering of the core business processes and support future growth and development of the university through provision of more integrated and timely management information. The need for ongoing investment in IT systems will be kept under review to ensure that the experience enjoyed by King's students and staff is contemporary.

Public benefit and service to society

The university is an 'exempt' charity under Schedule 3 of the Charities Act 2011. This means King's is not registered with the Charity Commission and has no charity registration number. Under the Charities Act 2006, King's and other universities that are exempt charities are regulated by HEFCE as 'principal regulator' on behalf of the Commission.

As the university's trustee, the 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 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 university's charitable activities during the year included:

- the university's undergraduate, postgraduate taught and postgraduate research students, who benefit from the education provided by King's in their development as individuals and in their employment prospects
- society at large (reflected in the university'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.

Reflecting its religious traditions, the university 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.

King's Maths School opened in September 2014 in Lambeth as a free school specialising in maths. Students take A-levels in maths, further maths and physics, as well as an AS-level in computing or economics in their first year. In August 2016, 65 pupils received their A-level results and every pupil received an A* or A in maths. This compares to a national rate across the country of 43%.

Building work on the Science Gallery started in April 2016. The gallery is a new space focused on 15- to 25-year-olds where art and science will combine. It is likely to open its doors in 2017. The project is supported by several organisations, including the Wellcome Trust and the Guy's and St Thomas' Charity, and is expected to engage over 250,000 visitors per year in pioneering research in science, the arts and design. It will bring together researchers, students, local communities and artists in innovative ways to stimulate fresh thinking.

The university, together with the Guy's & St Thomas' NHS Foundation Trust, King's College Hospital NHS Foundation Trust and the South London & Maudsley NHS Foundation Trust, forms King's Health Partners (KHP), with its objectives of delivering world-class research, health education and patient care, and of improving healthcare by increasing the translation of discoveries from basic science into patient benefits. Over the next five years, KHP will develop clinical services, research activity, and education and training focused on the following six areas, aiming for a noticeable impact on the health of the local population:

- mental and physical health
- excellence through key specialities
- basic science and experimental medicine
- transforming through education and training
- transforming patient outcomes through informatics
- value-based healthcare.

The future of King's is interwoven with the future of London. London is integral to King's and King's is integral to the capital's health and success. The university has launched an initiative with the following aims: to connect the global to the local; to help London address its challenges and opportunities while incorporating its many possibilities in education and research; and to create the problem-solvers and change-makers who will help to shape the future not just of London, but of the world. This will be achieved by:

- establishing a portfolio of strategic partnerships with London's businesses, organisations and agencies to develop research collaborations that respond to London's challenges and leverage King's potential to work across disciplines
- creating formal and informal learning opportunities that integrate London into the student experience, helping

individuals to develop the skills and networks that will support them in their future careers

- developing and maintaining mutually beneficial relationships in King's home boroughs through a coordinated programme of civic engagement
- maintaining strong relationships with global entities that have London headquarters, ensuring these international connections deliver benefits to local communities
- building partnerships with London's universities to consider shared challenges that will be most effectively addressed through coalition and collaboration.

Financial highlights

The results are presented for the first time under FRS102. The accounts for 2014–15 are restated under the new accounting standard.

The financial results comprise the consolidated results of King's and its wholly owned subsidiary undertakings. The principal subsidiary, College Facilities Ltd, undertakes major building and related works on behalf of King's. King's College London Business Ltd, based in Cornwall, operates an IT support function. King's Talent Bank Ltd is a subsidiary created to employ casual staff including student workers from King's, temporary staff, alumni, visiting lecturers and contractors. The university has further subsidiaries overseas: King's College London USA, Inc., a subsidiary incorporated in Virginia, through which it conducts marketing and alumni relations, and a charitable company in India which is not yet active. Additionally, King's conducts activities in Sierra Leone through King's Sierra Leone Partnership, an international non-governmental organisation.

Results

	2015–16	2014–15
	£000	£000
Total income	738,286	703,456
Expenditure	714,886	636,826
Surplus before other gains and losses	23,400	66,360
Gain on disposal of fixed assets	37,895	17,573
Gain on investments	10,900	6,168
Taxation	206	4,181
Surplus for the year	71,989	86,190
Actuarial loss in respect of pension schemes	(11,605)	(31,945)
Total comprehensive income for the year	60,384	54,245

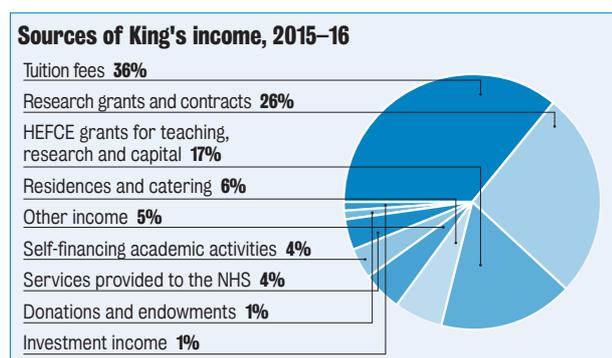
All income and gains now pass through the Statement of Comprehensive Income and Expenditure, including capital grants and endowments, changes in the market value

of investments and changes in the actuarial valuation of the pension schemes. Total comprehensive income for the year, after allowing for all income, gains and losses, was £60.4m. An analysis of the results together with a reconciliation of the new accounting standard FRS102 with the old accounting standards under UK GAAP is set out below.

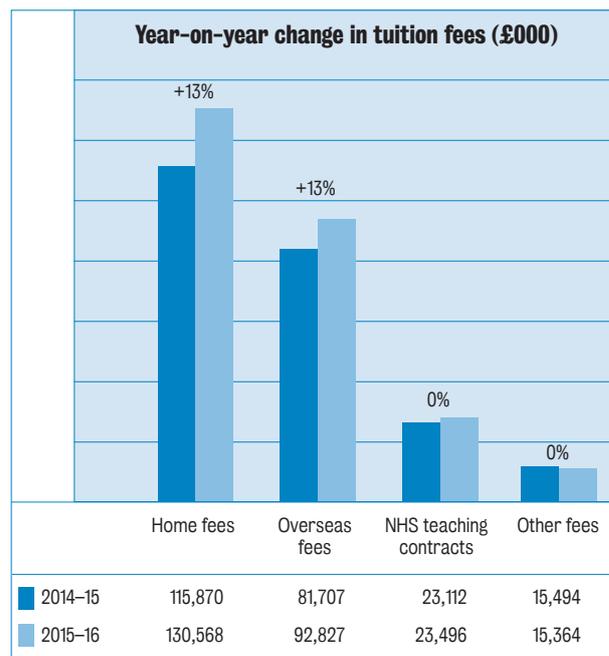
Analysis of surplus	2015-16	2014-15
	£000	£000
Surplus on operating activities	5,024	20,278
Surplus on ordinary activities as a % of income	0.7%	2.9%
Research & Development Expenditure Credit (net of tax)	2,173	13,551
Surplus on departmental activities	5,973	5,766
Surplus on disposal of property	37,895	17,573
Rights of light compensation	1,780	–
Surplus on UK GAAP basis	52,845	57,168
Capital grants	4,153	8,623
Endowments and investments	14,711	16,776
Pensions and benefits	(11,325)	(28,322)
Surplus on FRS102 basis	60,384	54,245

The surplus on operating activities for the year was £5.0m which, whilst modest, was better than plan, reflecting both strong student demand and phasing of staff recruitment. The £37.9m capital receipt during the year relates primarily to the disposal of the north part of the Hampstead Campus. This is consistent with the short-term financial strategy to draw on capital reserves while we transform the university through a range of new academic initiatives including, but not only, in the areas of business, science, technology and engineering together with growth in existing disciplines where there is strong demand from highly qualified students. In the medium term we need to ensure this investment in new faculty and new estate generates the improved academic and financial performance necessary to sustain future investment from operating cash flow.

Income



Tuition fees are the largest source of income and comprised 36% of total university income for the year. This reflects both the policy changes in the funding of English higher education, with more of the costs now met by students following the introduction of £9,000 tuition fees in 2012 and the reduction in HEFCE block-grant funding for teaching, and also strategic decisions by the university to grow both home and international student numbers in subjects where there is strong demand from suitably qualified students.



Fund-raising

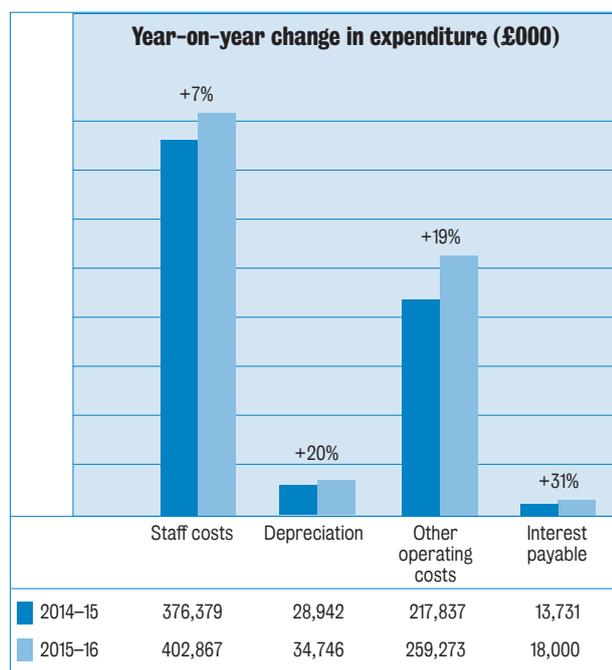
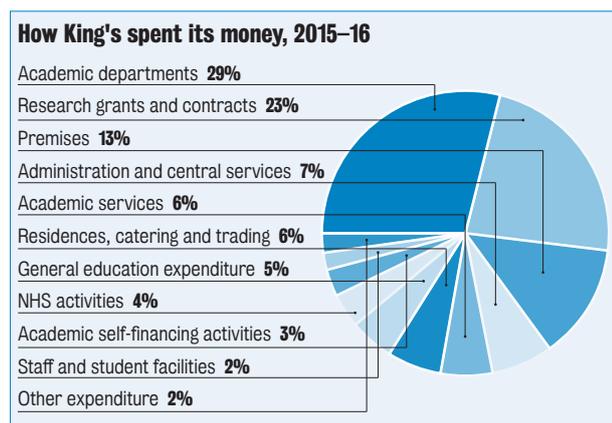
The university launched its fund-raising campaign 'World questions | King's answers' in 2005 with the target of raising £500m over the 10-year period to 2015. The campaign closed in December 2015, having raised £611m (47% philanthropic, 53% non-philanthropic) to tackle some of the world's biggest questions.

Fund-raising income, 2015-16	Total £000	University £000	KHP £000
For the support of staff and students	8,584	8,584	–
Capital items and endowments	2,117	2,117	–
For KHP partners	7,265	–	7,265
Received	17,966	10,701	7,265
Gifts in kind	100	100	–
Pledges not yet received	12,118	9,763	2,355
Income raised by Fund-raising & Supporter Development	30,184	20,564	9,620
Directed research grants	22,381	22,381	–
Total	52,565	42,945	9,620

We raise funds for both King's and KHP. For the 2015–16 financial year, total philanthropic income raised was £30.2m; together with directed research, this resulted in an overall total income of £52.6m.

King's is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big.

Expenditure



The underlying pay bill increased by some 7%/£26m; around half the increase related to pay, performance, progression and related pension and national insurance increases, while the other half related to investment in new staff.

Average staff numbers (full-time equivalent)	2015–16	2014–15
Academic/clinical (including staff on research grants)	3,601	3,500
Administrative and related staff	989	885
Technical	339	353
Clerical	1,149	1,079
Other	137	131
Total	6,215	5,948

Endowment asset investments

The endowment investments increased during the year from £179.4m to £194.1m. This reflects both receipt of new endowments (£2.8m) and capital growth over the year (£10.9m). Investment income was £5m. Performance measured by total return over the year was slightly under benchmark.

Performance for the year to 31 July 2016

Actual performance	+9.0%
Policy benchmark	+9.4%
Value added	(0.4)%

There were no changes in asset allocation policy targets during the year, with the policy remaining as follows.

Asset allocation	%
UK equity	30.0
Global equity	25.0
Emerging markets equity	7.5
Property	12.5
Global bonds	7.5
UK corporate bonds	7.5
Inflation-linked bonds	5.0
UK gilts	5.0

The Charity Commission has issued an order to enable King's to adopt a total return approach without the need for an amendment to the King's College London Act 1978. We have agreed a target spending rate and spending rule to moderate the amount of cash we take out each year for application and are working with our advisors, Cambridge Associates, to establish a suitable asset allocation policy to achieve the target spending rate on a total return basis that seeks to maintain the real-terms value of the endowment over time.

Treasury management

The university 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 invested in certificates of deposit with banks over a range of maturities as well as treasury stock. Counterparty banks were 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 were restricted to £30m per counterparty with the exception of Barclays, HSBC, Lloyds and RBS, where the limit was £50m. There was no limit on the sum invested in UK treasury stock.

After the year end and following changes to the RLCM segregated cash management business, all surplus cash is now invested in two pooled cash funds as an interim measure while we consider options for the future and any implications for our treasury policy.

Long-term loans

Borrowings

	Total £000	< 1 year £000	>1 year £000
Finance leases	8,696	1,645	7,051
Loans	295,240	4,219	291,021
Total borrowings 2015–16	<u>303,936</u>	<u>5,864</u>	<u>298,072</u>
Total borrowings 2014–15	306,115	5,648	300,467
	31 July 2016	31 July 2015	Limit
Borrowings as a % of income	41.1%	46.7%	50%
Borrowings to total reserves	36.2%	39.1%	100%

The university's financial strategy sets internal borrowing limits based on percentage of income and gearing, and the current position is within target. It is reviewing the borrowing targets to reflect the new FRS102 accounting standard.

The ratio of liquid assets to annual expenditure (excluding depreciation) was 167 days compared with a target of 90 days. This is largely due to timing as the planned capital investment programme, particularly in respect of Bush House, picks up pace.

Net cash	31 July 2016 £000	31 July 2015 £000	Change £000
Cash and short-term investments	310,512	302,380	8,132
Borrowings	303,936	306,115	2,179
Net cash/(borrowings)	<u>6,576</u>	<u>(3,735)</u>	<u>10,311</u>

Pensions

The two main pension schemes in which King's participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). They are multi-employer, defined benefit pension schemes. FRS102 requires King's to provide for the contractual obligation to fund past deficits of the two schemes for employees. The provision is based on the March 2014 valuation of both schemes together with actuarial assumptions of future inflation. The provision is reviewed and updated annually.

From 1 April 2016 the final-salary section of USS was closed for all members. Employer contributions rose from 16% to 18% and for employees from 7.5% to 8%. From 1 October 2015 the scheme consists of a defined benefit section based on career average and a defined contribution section. Contributions will be made into the defined benefit section up to a cap, with contributions on salary in excess of the cap being made into the defined contribution section. The next formal revaluation of the pension scheme is scheduled for 31 March 2017.

There have also been changes to the cost and benefit structure of the SAUL pension scheme. From 1 April 2016 employer contributions increased from 13% to 16%, with employees' contributions unchanged at 6%. The final-salary section of the scheme closed on 1 April 2016 and from that date all benefits accrue in the career average revalued benefit section. The 2014 recovery plan anticipated the fund shortfall would be eliminated by March 2018.

The continuing reduction in real gilt yields has seen liabilities outpace investment growth in both USS and SAUL since the March 2014 valuations and it is highly likely that further recovery plans will be required as part of the next valuation in March 2017.

Prospects and planning outlook

The higher education sector is facing a number of significant changes over the next two years.

- Changes in government policy: these may bring about further migration controls, which may affect universities' ability to attract the brightest students and the best staff irrespective of their country of origin. They may also have reputational impacts, with the UK seen as a less welcoming place to work and study.
- Brexit: especially over the next few years, given the uncertainty and lack of detail surrounding the exit negotiations, Brexit may have an impact on recruitment of staff and students from within the EU. International collaboration may also become more challenging. Foreign currency exchange rates will be more volatile although, for now, the weakness of sterling makes the UK a cheaper place to study. Conversely, inflation is

increasing as imported goods are more expensive.

- Changes in demographics: the number of 18-year-olds is falling by 2% per annum and is not expected to start rising again until 2024.
- Student debt: nursing, midwifery and allied health professions are to be brought within the same funding model as other home undergraduate students, subject to tuition fees but also having access to student loans. This may have a significant impact on demand, as such students tend to be more debt-averse and include a higher proportion of mature learners. The promotion of apprenticeships may also affect the demand for university places, with consumers being able to choose between a vocational qualification and no debt as against conventional degree education with debt. The potential raising of the cap on undergraduate fees to allow increases in line with inflation will add concerns for those students who are more debt-averse.

King's is in a position of relative strength to respond to these challenges. It is already looking at long-term student growth targets and developing options for re-profiling the mix between home, EU and international. There will be careful monitoring of the 2017–18 admissions cycle and appropriate responses. A package of support has been put in place for King's staff affected by uncertainties around the ability to work in the UK.

King's remains an attractive place to study. Demand for its programmes is high and the university is able to recruit the best students by maintaining high entry requirements. It is preparing new propositions at all levels of study, including distance- and blended-learning options. It is also developing new programmes in business, science, technology and engineering, which remain in high demand. King's benefits from its multidisciplinary; it is able to offer unique combinations of study across health, sciences, arts and social sciences. Similarly, research funding is increasingly targeted towards interdisciplinary and translational research.

King's was one of the first Russell Group universities to found a specialist sixth-form school and it was pleasing that 85% of leavers in 2016 were awarded places at Russell Group or Sutton Trust 30 universities, 14% had Oxbridge places and 94% are going on to study a STEM subject at university. King's is also on track to meet its demanding widening participation targets.

The university benefits from and leverages its prestigious central London location, which remains attractive to both international students and staff. King's was recently voted first in the Russell Group and sixth in the world by Hotcourses, based on its Diversity Index, which offers an understanding of the relative diversity of international students at campuses in the UK, USA, Australia and New Zealand. It is the top UK destination for International Baccalaureate students.

King's has launched a London Engagement Framework, which will seek to capitalise and further develop its 'service to society' track record, with a particular emphasis on the university's home boroughs. It will connect the global to the local, supporting academics in local generation of knowledge that has transnational impact, developing capacity within local communities and strengthening King's relationships with its neighbours.

To support the many academic developments, King's will continue to invest in a number of initiatives to strengthen its professional services functions under the King's Futures programme. These include major investments in technology, process redesign and investment in people. 2017 will see the launch of King's new fund-raising campaign, building upon the successes of 'World questions | King's answers'.

The forecasts (table below) take into account investment in new academic initiatives such as business, science, technology and engineering. The modest level of surplus is forecast to continue until around 2020, when investments are expected to start delivering improved returns and operating cash flow to finance future investment necessary to sustain and improve King's educational and research infrastructure.

Conclusions

This has been another year of strong performance and achievements. The financial results are better than plan, reflecting, among other things, strong student demand for King's programmes. It is important that as the university grows it maintains quality and improves the student experience.

There have been a number of important policy and political developments during the year. The Higher Education and Research Bill continues to progress through the legislative process. It is crucial we ensure university autonomy is maintained while adapting to the new regulatory regime. The changes to the funding mechanism for nursing, midwifery

Financial forecasts	2014–15 actual £m	2015–16 actual £m	2016–17 forecast £m	2017–18 forecast £m	2018–19 forecast £m
Income	703.4	738.3	804.4	856.9	907.0
Expenditure	636.8	714.9	797.3	849.4	899.2
Surplus before other gains and losses	66.6	23.4	7.1	7.5	7.8
Surplus as a % of income	9.5%	3.2%	0.9%	0.9%	0.9%

and allied health professions are likely to have implications for student demand on these programmes, as such students tend to be more debt-averse than other undergraduates, with a higher proportion of mature applicants. The outcome of the EU referendum has also created uncertainty and, while much of the detail has yet to emerge, the university will do all it can to support and reassure its staff and students. King's is and will remain a global university, open, welcoming and engaging to all parts of the world in the pursuit of new knowledge, scholarship and understanding in the service of society.

In the meantime, the university is proceeding with its King's Futures programme and developing its new strategic plan, Vision 2029, which will guide it successfully up to the 200th anniversary of its founding.

Mr Michael D'Souza
Treasurer

Mr Stephen Large
Vice-President (Finance)

Corporate governance

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

The university 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.

King's 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 university 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 university 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 university 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 university.

The Academic Board is the academic authority of the university 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 university 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, Risk & 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 university'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 university'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 university.

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

The Remuneration Committee determines the annual remuneration of the President & Principal, Vice-Presidents and the College Secretary.

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

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

Statement of internal control

The Council, as the governing body of the university, 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 2016 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 university on an annual basis.
- The Audit, Risk & 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, Risk & Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Presidents 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, Risk & 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 university-wide risk register.
- The Audit, Risk & Compliance Committee receives regular reports from the Department of Audit & Business Assurance on the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The President & Principal's Revenue & Expenditure Review Committee is the focal point within the

university for the enhancement of the risk-management process and receives regular reports from heads of faculties and departments in support of this.

- The business planning process requires heads of faculties and departments to identify and keep up-to-date the record of risks facing the university 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 university has a Department of Audit & Business Assurance within the Directorate of Strategy, Planning & Assurance, which operates to standards defined in the HEFCE Audit Code of Practice; the Code of Practice is contained within the Memorandum of Assurance and Accountability, which was introduced by HEFCE in August 2014.
- The Department of Audit & Business Assurance submits regular reports to the Audit, Risk & Compliance Committee that include an independent opinion on the adequacy and effectiveness of the university'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 2016 was informed by the Audit, Risk & Compliance Committee, the work of the Department of Audit & Business Assurance and the executive managers within the university who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in its management letter and other reports.

Responsibilities of the 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 university; 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 university and that enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice – Accounting for Further and Higher Education and other relevant accounting standards.

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 university will continue in operation.

The Council has taken reasonable steps to:

- 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 university and prevent and detect fraud
- secure the economical, efficient and effective management of the university's resources and expenditure.

The key elements of the university'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, Risk & Compliance Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the university and an opinion on the adequacy and effectiveness of the university'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 auditor's report to the Council of King's College London

We have audited the financial statements of King's College London for the year ended 31 July 2016 set out on pages 23 to 48. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of the Council and auditor

As explained more fully in the Responsibilities of the Council, set out on page 21, 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 university's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with,

the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2016, of the group's and university's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's 'Accounts direction to higher education institutions for 2015–16 financial statements'.

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

In our opinion, in all material respects:

- funds from whatever source administered by the group and the university for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the university's Statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's 'Accounts direction to higher education institutions for 2015–16 financial statements' have been met.

Fleur Nieboer

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

30 November 2016

Notes:

The maintenance and integrity of the King's College London website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of principal accounting policies

1. Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education (2015) and applicable accounting standards. The university is a public-benefit entity and has therefore applied the relevant public-benefit requirement of the applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of King's 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 university has no financial interest and no control or significant influence over policy decisions.

3. Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Student-fee income is stated gross of any expenditure that is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funds the university receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the university where the university is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Government grants including funding council block grant, research grants from government sources, and other grants and donations from non-government sources (including research grants) are recognised within the Consolidated

Statement of Comprehensive Income and Expenditure when the university is entitled to the income and performance-related conditions have been met.

Income received in advance of performance-related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

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

Endowment investment income and appreciation is recorded in income in the year in which it arises, as either restricted or unrestricted income according to the terms of the individual endowment fund.

Donations with no restrictions are recorded in the Consolidated Statement of Comprehensive Income and Expenditure when the university is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided in the notes to the accounts.

There are four main types of donations and endowments with restrictions, which are:

- restricted donations – the donor has specified that the donation must be used for a particular objective
- unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate income for the general benefit of the university
- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the university can convert the donated sum into income
- restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate income to be applied to a particular objective.

Capital grants are recorded in income when the university is entitled to the income subject to any performance-related conditions being met.

Investment income from short-term deposits is included in the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

4. Accounting for retirement benefits

The two principal pension schemes in which the university 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.

5. Employment benefits

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

6. Finance leases

Leases in which the university assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currencies

Transactions denominated in foreign currencies are translated to sterling at the foreign-exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign-exchange rate ruling at that date. Foreign-exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

9. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the university.

Freehold land is not depreciated, as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of 50 years, and 100 years in respect of new-build property.

Leasehold land is depreciated over the life of the lease.

No depreciation is charged on assets in the course of construction.

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 equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of 5 years, and 15 years in respect of plant. Capitalised leased equipment is stated at cost and depreciated over its expected useful life of 15 years.

Depreciation methods, useful lives and residual values are reviewed during the preparation of each balance sheet.

Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

10. 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 point 9 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 university. 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 13 to the accounts.

11. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value, with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July.

12. 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.

Unquoted investments are held at cost or impaired value.

13. Cash and cash equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include term deposits, government securities and loan stock held as part of the university's treasury management activities. They exclude any such assets held as endowment asset investments.

14. Taxation status

The university is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478–488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The university receives no similar exemption in respect of Value Added Tax but is unable to recover input tax incurred on the majority of its expenditure, most education and research being VAT-exempt activity. Irrecoverable VAT is included in the cost of the goods or services.

The university'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.

15. Provisions

Provisions are recognised when the university 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 university operates its halls of residence on a self-financing basis and provides annually for the cost of long-term maintenance and regular refurbishment.

16. Transition to FRS102

The university is preparing its financial statements in accordance with FRS102 for the first time and has consequently applied the first-time adoption requirements. An explanation of how the transition to FRS102 has affected the reported financial position, financial performance and cash flows of the consolidated results of the university is provided in note 30 to the accounts.

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2016

	Note	Consolidated		University	
		2015–16 £000	2014–15 £000	2015–16 £000	2014–15 £000
Income					
Tuition fees and education contracts	1	262,255	236,183	262,255	236,183
Funding body grants	2	125,015	115,581	125,015	115,581
Research grants and contracts	3	193,182	211,126	193,182	211,126
Other income	4	130,967	103,548	131,038	103,605
Investment income	5	6,694	5,905	6,648	5,860
Total income before donations and endowments		<u>718,113</u>	<u>672,343</u>	<u>718,138</u>	<u>672,355</u>
Donations and endowments	6	20,173	31,113	20,279	31,256
Total income		<u>738,286</u>	<u>703,456</u>	<u>738,417</u>	<u>703,611</u>
Expenditure					
Staff costs	7	402,867	376,316	402,867	376,316
Other operating expenses		259,273	217,837	259,394	217,897
Depreciation	12	34,746	28,942	34,681	28,896
Interest and other finance costs	9	18,000	13,731	18,000	13,731
Total expenditure	10	<u>714,886</u>	<u>636,826</u>	<u>714,942</u>	<u>636,840</u>
Surplus before other gains and losses		23,400	66,630	23,475	66,771
Gain on disposal of fixed assets		37,895	17,573	37,895	17,573
Gain on investments	23	10,900	6,168	10,900	6,168
Surplus before tax		<u>72,195</u>	<u>90,371</u>	<u>72,270</u>	<u>90,512</u>
Taxation	11	206	4,181	206	4,181
Surplus for the year		<u>71,989</u>	<u>86,190</u>	<u>72,064</u>	<u>86,331</u>
Actuarial loss in respect of pension schemes	20	(11,605)	(31,945)	(11,605)	(31,945)
Total comprehensive income for the year		<u>60,384</u>	<u>54,245</u>	<u>60,459</u>	<u>54,386</u>
Represented by:					
Endowment comprehensive income for the year	23	14,711	16,776	14,711	16,776
Restricted comprehensive income for the year	22	(17,804)	9,132	(17,804)	9,132
Unrestricted comprehensive income for the year	24	63,477	28,337	63,552	28,478
		<u>60,384</u>	<u>54,245</u>	<u>60,459</u>	<u>54,386</u>

The consolidated income and expenditure of the university 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 30 to 48 form part of the financial statements.

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2016

Consolidated	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2014	162,597	19,289	603,323	785,209
Surplus for the year	16,776	19,166	50,248	86,190
Other comprehensive income	–	–	(31,945)	(31,945)
Release of restricted capital funds spent in year	–	(10,034)	10,034	–
Total comprehensive income for the year	<u>16,776</u>	<u>9,132</u>	<u>28,337</u>	<u>54,245</u>
Balance at 1 August 2015	179,373	28,421	631,660	839,454
Surplus for the year	14,711	17,790	39,488	71,989
Other comprehensive income	–	–	(11,605)	(11,605)
Release of restricted capital funds spent in year	–	(35,594)	35,594	–
Total comprehensive income for the year	<u>14,711</u>	<u>(17,804)</u>	<u>63,477</u>	<u>60,384</u>
Balance at 31 July 2016	<u>194,084</u>	<u>10,617</u>	<u>695,137</u>	<u>899,838</u>

University	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2014	162,597	19,289	605,416	787,302
Surplus for the year	16,776	19,166	50,389	86,331
Other comprehensive income	–	–	(31,945)	(31,945)
Release of restricted capital funds spent in year	–	(10,034)	10,034	–
Total comprehensive income for the year	<u>16,776</u>	<u>9,132</u>	<u>28,478</u>	<u>54,386</u>
Balance at 1 August 2015	179,373	28,421	633,894	841,688
Surplus for the year	14,711	17,790	39,563	72,064
Other comprehensive income	–	–	(11,605)	(11,605)
Release of restricted capital funds spent in year	–	(35,594)	35,594	–
Total comprehensive income for the year	<u>14,711</u>	<u>(17,804)</u>	<u>63,552</u>	<u>60,459</u>
Balance at 31 July 2016	<u>194,084</u>	<u>10,617</u>	<u>697,446</u>	<u>902,147</u>

The notes on pages 30 to 48 form part of the financial statements.

Consolidated and University Balance Sheet

As at 31 July 2016

	Note	Consolidated		University	
		2016 £000	2015 £000	2016 £000	2015 £000
Non-current assets					
Fixed assets	12	895,990	853,526	897,998	855,489
Investments	14	40,593	34,217	40,593	34,217
Endowment investments	15	194,084	179,373	194,084	179,373
		<u>1,130,667</u>	<u>1,067,116</u>	<u>1,132,675</u>	<u>1,069,079</u>
Current assets					
Trade and other debtors	16	86,992	89,729	97,986	90,191
Cash and cash equivalents		310,512	302,380	299,318	291,428
		<u>397,504</u>	<u>392,109</u>	<u>397,304</u>	<u>381,619</u>
Less: Creditors: amounts falling due within one year	17	<u>(227,957)</u>	<u>(227,966)</u>	<u>(227,456)</u>	<u>(217,205)</u>
Net current assets		<u>169,547</u>	<u>164,143</u>	<u>169,848</u>	<u>164,414</u>
Total assets less current liabilities		<u>1,300,214</u>	<u>1,231,259</u>	<u>1,302,523</u>	<u>1,233,493</u>
Creditors: amounts falling due after more than one year	18	<u>(320,072)</u>	<u>(322,467)</u>	<u>(320,072)</u>	<u>(322,467)</u>
Provisions					
Pension provisions	20	(75,651)	(64,685)	(75,651)	(64,685)
Other provisions	21	(4,653)	(4,653)	(4,653)	(4,653)
Total net assets		<u>899,838</u>	<u>839,454</u>	<u>902,147</u>	<u>841,688</u>
Restricted reserves					
Income and expenditure reserve – endowment reserve	23	194,084	179,373	194,084	179,373
Income and expenditure reserve – restricted reserve	22	10,617	28,421	10,617	28,421
Unrestricted reserves					
Income and expenditure reserve – unrestricted	24	695,137	631,660	697,446	633,894
Total reserves		<u>899,838</u>	<u>839,454</u>	<u>902,147</u>	<u>841,688</u>

The financial statements on pages 23 to 48 were approved by the Council on 24 November 2016 and signed on its behalf by:

Sir Christopher Geidt
Chairman of Council

Professor Edward Byrne
President & Principal

Mr Michael D'Souza
Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2016

	Note	2015-16 £000	2014-15 £000
Cash flow from operating activities			
Surplus for the year		71,989	86,190
Adjustment for non-cash items			
Depreciation	12	34,746	28,942
Gain on investments	15	(10,900)	(6,168)
Decrease/(increase) in debtors		2,737	(11,517)
(Decrease)/increase in creditors		(222)	27,038
Decrease in pension provisions	20	(2,580)	(4,670)
Decrease in other provisions		–	(8,322)
Adjustment for investing or financing activities			
Investment income	5	(6,694)	(5,905)
Interest payable	9	18,000	13,731
Endowment income	6	(2,820)	(9,873)
Profit on sale of fixed assets		(37,895)	(17,573)
Net cash inflow from operating activities		<u>66,361</u>	<u>91,873</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		49,074	24,136
Proceeds from sale of investments		1,789	1,980
Investment income	5	6,694	5,905
Payments made to acquire fixed assets	12	(88,389)	(81,264)
New non-current asset investments	14	(6,376)	(176)
New non-current endowment asset investments	15	(3,000)	(9,000)
Endowment asset investments increase in cash balances	15	(2,600)	(3,588)
		<u>(42,808)</u>	<u>(62,007)</u>
Cash flows from financing activities			
Interest paid		(11,650)	(7,694)
Interest element of finance lease payments		(1,644)	(1,645)
Endowment cash received	6	2,820	9,873
New loans		–	134,743
Lease premium		–	22,000
Repayments of amounts borrowed		(4,003)	(3,804)
Capital element of finance lease payments		(944)	(820)
		<u>(15,421)</u>	<u>152,653</u>
Increase in cash and cash equivalents in the year		<u>8,132</u>	<u>182,519</u>
Cash and cash equivalents at beginning of the year	26	302,380	119,861
Cash and cash equivalents at end of the year	26	<u>310,512</u>	<u>302,380</u>
Increase in cash and cash equivalents in the year	26	<u>8,132</u>	<u>182,519</u>

The notes on pages 30 to 48 form part of the financial statements.

Notes to the accounts

For the year ended 31 July 2016

1. TUITION FEES AND EDUCATION CONTRACTS

	Consolidated and University	
	2015-16 £000	2014-15 £000
Full-time students charged home fees	122,462	108,643
Full-time students charged overseas fees	92,827	81,707
NHS contracted student fees	23,496	23,112
Part-time fees	8,106	7,227
Special and short course fees	15,266	15,467
Research training support grants	98	27
	<u>262,255</u>	<u>236,183</u>

2. FUNDING BODY GRANTS

	Consolidated and University	
	2015-16 £000	2014-15 £000
Higher Education Funding Council recurrent grant	105,196	99,457
Higher Education Funding Council specific grants	4,679	4,413
Higher Education Funding Council capital grants	15,140	11,711
Total funding body grants	<u>125,015</u>	<u>115,581</u>

3. RESEARCH GRANTS AND CONTRACTS

	Consolidated and University	
	2015-16 £000	2014-15 £000
Research Councils	42,173	41,483
Research & Development Expenditure Credit Scheme	2,379	17,732
UK central government, local authorities, health and hospital authorities	37,014	39,870
UK industry, commerce and public corporations	16,240	14,895
UK charitable bodies	47,855	50,196
EU government and other bodies	28,929	29,045
Overseas non EU	16,914	16,755
Other	1,678	1,150
	<u>193,182</u>	<u>211,126</u>

4. OTHER INCOME

	Consolidated		University	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
Academic departments costs reimbursed by NHS	14,333	15,883	14,333	15,883
Clinical excellence awards reimbursed by NHS	7,262	7,785	7,262	7,785
Residences, catering and conferences	44,012	27,614	44,012	27,614
Services rendered to NHS and related bodies	8,804	9,546	8,804	9,546
Self-financing activities	32,546	27,684	32,546	27,684
Research Councils studentship grants	6,473	6,777	6,473	6,777
Other income	17,537	8,259	17,608	8,316
	<u>130,967</u>	<u>103,548</u>	<u>131,038</u>	<u>103,605</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

5. INVESTMENT INCOME

	Consolidated		University	
	2015–16 £000	2014–15 £000	2015–16 £000	2014–15 £000
Income on restricted permanent endowments (<i>note 23</i>)	4,212	4,134	4,212	4,134
Income on restricted expendable endowments (<i>note 23</i>)	805	675	805	675
Other interest receivable	1,677	1,096	1,631	1,051
	<u>6,694</u>	<u>5,905</u>	<u>6,648</u>	<u>5,860</u>

6. DONATIONS AND ENDOWMENTS

	Consolidated		University	
	2015–16 £000	2014–15 £000	2015–16 £000	2014–15 £000
Capital grants	2,087	7,455	2,087	7,455
New endowments (<i>note 23</i>)	2,820	9,873	2,820	9,873
Donations with restrictions	8,951	7,279	8,951	7,279
Unrestricted donations	6,315	6,506	6,421	6,649
	<u>20,173</u>	<u>31,113</u>	<u>20,279</u>	<u>31,256</u>

7. STAFF

	Consolidated		University	
	2015–16 £000	2014–15 £000	2015–16 £000	2014–15 £000
Staff costs:				
Wages and salaries	303,726	292,842	302,846	292,720
Redundancy payments	1,555	1,335	1,555	1,335
Social security costs	27,594	24,972	27,524	24,962
Other pensions costs (<i>note 27</i>)	40,954	34,679	40,912	34,670
Permanently employed	<u>373,829</u>	<u>353,828</u>	<u>372,837</u>	<u>353,687</u>
Agency and contract staff costs	<u>29,038</u>	<u>22,488</u>	<u>30,030</u>	<u>22,629</u>
Total staff costs	<u>402,867</u>	<u>376,316</u>	<u>402,867</u>	<u>376,316</u>

Agency and contract staff costs include amounts charged by third parties, including NHS Trusts, for contractors and job holders who are not directly employed by the university.

	2015–16 £000	2014–15 £000
Emoluments of the Principal:		
Other emoluments	350	350
Benefits-in-kind	11	7
Relocation costs	–	45
	<u>361</u>	<u>402</u>
Pension scheme contributions	<u>58</u>	<u>56</u>
Total emoluments of the Principal	<u>419</u>	<u>458</u>

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 university-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.

Notes to the accounts *continued*

For the year ended 31 July 2016

7. 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 university staff under separate NHS contracts of employment and which are included in the university's Income and Expenditure Account:

	2015–16 Clinical academic	2015–16 Other academic and related	2015–16 Total number	2014–15 Total number
£100,001–£110,000	20	43	63	59
£110,001–£120,000	18	17	35	37
£120,001–£130,000	9	16	25	28
£130,001–£140,000	12	12	24	18
£140,001–£150,000	17	10	27	25
£150,001–£160,000	14	5	19	27
£160,001–£170,000	17	4	21	21
£170,001–£180,000	9	1	10	14
£180,001–£190,000	2	3	5	7
£190,001–£200,000	4	1	5	7
£200,001–£210,000	2	1	3	1
£210,001–£220,000	4	1	5	2
£220,001–£230,000	4	–	4	2
£230,001–£240,000	3	–	3	5
£240,001–£250,000	5	–	5	2
£250,001–£260,000	2	–	2	1
£260,001–£270,000	–	1	1	1
£270,001–£280,000	–	–	–	–
£280,001–£290,000	1	–	1	1
£290,001–£300,000	–	–	–	–
£300,001–£310,000	1	–	1	–
£310,001–£320,000	–	–	–	2

The accounts include two severance payments for higher-paid employees (including the cost of additional pension benefits purchased by the university) amounting to £202,000 for 2016 (2015 – seven, £724,000).

	2015–16 Number	2014–15 Number
Average staff numbers, expressed as full-time equivalents:	3,601	3,500
Academic/clinical, including research contract staff	989	885
Administrative and related staff	339	353
Technical	1,149	1,079
Clerical	137	131
Other	6,215	5,948
	2015–16	2014–15
	£000	£000
Key management personnel staff costs	1,646	1,599

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

Notes to the accounts *continued*

For the year ended 31 July 2016

8. TRUSTEES

The trustees are the members of Council, which is the supreme governing body of the university 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.

No expenses were paid to or on behalf of members (2015 – none) in respect of their Council duties. The university paid a contribution of £10,000 (2015 – £12,000) towards the costs of the Chairman's office.

9. INTEREST AND OTHER FINANCE COSTS

	Consolidated		University	
	2015–16	2014–15	2015–16	2014–15
	£000	£000	£000	£000
Bank and other loans wholly repayable within five years	–	–	–	–
Loans not wholly repayable within five years	14,562	11,346	14,562	11,346
Finance leases	1,497	1,508	1,497	1,508
Net charge on pension schemes	1,941	877	1,941	877
	18,000	13,731	18,000	13,731

10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2015–16	2014–15	2015–16	2014–15
	£000	£000	£000	£000
Academic departments	210,312	196,938	210,312	196,938
Academic departments costs reimbursed by NHS	14,611	16,048	14,611	16,048
Clinical excellence awards reimbursed by NHS	7,262	7,785	7,262	7,785
Academic services	46,034	33,828	45,969	33,789
Research grants and contracts	161,834	159,918	161,834	159,918
Residences, catering and conferences	43,845	27,484	43,845	27,484
Premises	91,869	76,865	91,869	76,865
Administration and central services	47,281	44,322	47,275	44,322
Staff and student facilities	14,153	12,737	14,153	12,737
General education expenditure	36,004	28,932	36,004	28,932
Services rendered to NHS and related bodies	8,221	8,646	8,221	8,646
Self-financing activities	20,988	16,644	20,988	16,644
Pensions costs	(639)	(3,793)	(639)	(3,793)
Other	13,111	10,472	13,238	10,525
Total per Income and Expenditure Account	714,886	636,826	714,942	636,840
	2015–16	2014–15		
	£000	£000		
Other operating expenses include:				
External auditors' remuneration in respect of audit services:				
University financial statements	87	65		
Subsidiary financial statements	9	12		
United States Department of Education	33	55		
External auditors' remuneration in respect of non-audit services:				
Consultancy	55	48		
Certifications	12	4		
Operating lease rentals				
Land and buildings	41,865	9,940		
Other	281	273		

Notes to the accounts *continued*

For the year ended 31 July 2016

11. TAXATION

	Consolidated and University	
	2015–16	2014–15
	£000	£000
UK corporation tax payable on the profits of subsidiary companies	<u>206</u>	<u>4,181</u>

The tax charge for the year arises from the claim for Research & Development Expenditure Credits.

The Council does not believe that the university is liable for any additional corporation tax arising out of its activities during the year.

12. FIXED ASSETS

Consolidated	Land and buildings			Plant	Furniture and equipment	Leased equipment	Assets in the course of construction	Total
	Freehold	Long leasehold	Short leasehold					
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 August 2015	444,281	351,586	29,612	77,796	98,371	21,733	107,130	1,130,509
Additions	–	–	–	395	5,075	–	82,919	88,389
Transfers	7,513	1,443	1,031	34,966	20,772	–	(65,725)	–
Disposals	(17,733)	(1,154)	(7)	–	(7,262)	–	–	(26,156)
At 31 July 2016	<u>434,061</u>	<u>351,875</u>	<u>30,636</u>	<u>113,157</u>	<u>116,956</u>	<u>21,733</u>	<u>124,324</u>	<u>1,192,742</u>
Depreciation								
At 1 August 2015	76,442	76,325	10,081	19,128	81,967	13,040	–	276,983
Charge for year	6,970	5,471	2,205	7,446	11,205	1,449	–	34,746
Eliminated on disposals	(7,150)	(558)	(7)	–	(7,262)	–	–	(14,977)
At 31 July 2016	<u>76,262</u>	<u>81,238</u>	<u>12,279</u>	<u>26,574</u>	<u>85,910</u>	<u>14,489</u>	<u>–</u>	<u>296,752</u>
Net book value								
At 31 July 2016	<u>357,799</u>	<u>270,637</u>	<u>18,357</u>	<u>86,583</u>	<u>31,046</u>	<u>7,244</u>	<u>124,324</u>	<u>895,990</u>
At 1 August 2015	<u>367,839</u>	<u>275,261</u>	<u>19,531</u>	<u>58,668</u>	<u>16,404</u>	<u>8,693</u>	<u>107,130</u>	<u>853,526</u>

University	Land and buildings			Plant	Furniture and equipment	Leased equipment	Assets in the course of construction	Total
	Freehold	Long leasehold	Short leasehold					
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 August 2015	445,302	352,482	29,684	77,645	98,300	21,733	107,280	1,132,426
Additions	–	–	–	395	4,980	–	82,994	88,369
Transfers	7,565	1,442	1,031	35,047	20,797	–	(65,882)	–
Disposals	(17,733)	(1,154)	(7)	–	(7,262)	–	–	(26,156)
At 31 July 2016	<u>435,134</u>	<u>352,770</u>	<u>30,708</u>	<u>113,087</u>	<u>116,815</u>	<u>21,733</u>	<u>124,392</u>	<u>1,194,639</u>
Depreciation								
At 1 August 2015	76,442	76,325	10,081	19,106	81,943	13,040	–	276,937
Charge for year	6,970	5,471	2,205	7,423	11,163	1,449	–	34,681
Eliminated on disposals	(7,150)	(558)	(7)	–	(7,262)	–	–	(14,977)
At 31 July 2016	<u>76,262</u>	<u>81,238</u>	<u>12,279</u>	<u>26,529</u>	<u>85,844</u>	<u>14,489</u>	<u>–</u>	<u>296,641</u>
Net book value								
At 31 July 2016	<u>358,872</u>	<u>271,532</u>	<u>18,429</u>	<u>86,558</u>	<u>30,971</u>	<u>7,244</u>	<u>124,392</u>	<u>897,998</u>
At 1 August 2015	<u>368,860</u>	<u>276,157</u>	<u>19,603</u>	<u>58,539</u>	<u>16,357</u>	<u>8,693</u>	<u>107,280</u>	<u>855,489</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

12. FIXED ASSETS (*continued*)

The total amount of interest included in assets above amounted to £1,740,000 (2015 – £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 £1,551,000 and £45,325,000 respectively.

13. 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 university'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 Consolidated Statement of Comprehensive Income and Expenditure Account.

The principal collections are:

Archives

These comprise not only the archives of the university, 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 university, this collection is owned by a separate company, King's College Foreign & Commonwealth Office Library Ltd, which is independent of the university.

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 university website, 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 2016*

14. INVESTMENTS

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Francis Crick Institute	40,000	33,916	40,000	33,916
Other fixed asset investments	593	301	593	301
	<u>40,593</u>	<u>34,217</u>	<u>40,593</u>	<u>34,217</u>

The university owns 100% of the issued ordinary share capital of College Facilities Limited (for construction services), King's College London Business Limited (for information technology support) and King's Talent Bank Limited (for the provision of temporary staff). These 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 university. Established as a charity, it will be a research centre in biomedical science.

15. ENDOWMENT INVESTMENTS

	Consolidated and University	
	2015-16 £000	2014-15 £000
Balance at 1 August	179,373	162,597
Additions	3,000	9,000
Disposals	(1,789)	(1,980)
Appreciation	10,900	6,168
Increase in cash balances	2,600	3,588
Balance at 31 July	<u>194,084</u>	<u>179,373</u>
Fixed interest stocks	31,773	29,158
Equities	137,293	127,797
Bank balances	25,018	22,418
Total endowment investments	<u>194,084</u>	<u>179,373</u>
Fixed interest and equities at cost	<u>132,555</u>	<u>131,134</u>

16. TRADE AND OTHER DEBTORS

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade debtors	20,026	24,268	20,026	24,268
Other debtors	11,329	20,791	11,267	20,663
Research grant debtors	28,314	24,235	28,314	24,235
Research grant work in progress	19,714	16,444	19,714	16,444
Prepayments and accrued income	7,609	3,991	7,609	3,991
Amounts owed by group undertakings	–	–	11,056	590
	<u>86,992</u>	<u>89,729</u>	<u>97,986</u>	<u>90,191</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade creditors	35,966	35,237	33,457	32,228
Deferred income	106,960	104,624	106,960	104,624
Other creditors and accruals	62,983	65,902	62,521	54,301
Holiday pay accrual	7,161	6,802	7,161	6,802
Social security and other taxation payable	9,023	9,753	8,872	9,642
Amounts owed to group undertakings	–	–	2,621	3,960
Obligations under finance leases less term deposits for repayment (<i>note 19</i>)	1,645	1,645	1,645	1,645
Current element of long-term liabilities (<i>note 19</i>)	4,219	4,003	4,219	4,003
	<u>227,957</u>	<u>227,966</u>	<u>227,456</u>	<u>217,205</u>

Deferred income includes the following items of income which have been deferred until specific performance-related conditions have been met.

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Research grants received on account	69,730	68,293	69,730	68,293
Other income	21,800	19,119	21,800	19,119
Donations	11,616	14,058	11,616	14,058
Other deposits	3,814	3,154	3,814	3,154
	<u>106,960</u>	<u>104,624</u>	<u>106,960</u>	<u>104,624</u>

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

	Consolidated		University	
	2016 £000	2015 £000	2016 £000	2015 £000
Obligations under finance leases (<i>note 19</i>)	13,457	13,605	13,457	13,605
Term deposits for loan repayments	(6,406)	(5,462)	(6,406)	(5,462)
	<u>7,051</u>	<u>8,143</u>	<u>7,051</u>	<u>8,143</u>
Loans (<i>note 19</i>)	291,021	292,324	291,021	292,324
Total long-term borrowings	<u>298,072</u>	<u>300,467</u>	<u>298,072</u>	<u>300,467</u>
Lease premium on development property	22,000	22,000	22,000	22,000
Total long-term creditors	<u>320,072</u>	<u>322,467</u>	<u>320,072</u>	<u>322,467</u>

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

Notes to the accounts *continued*

For the year ended 31 July 2016

19. BORROWINGS

	Consolidated and University			
	Finance leases		Loans	
	2016 £000	2015 £000	2016 £000	2015 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	1,645	1,645	4,445	4,219
Between two and five years	4,936	4,936	14,841	14,072
Total between one and five years	6,581	6,581	19,286	18,291
Over five years	6,876	7,024	271,735	274,033
Total over one year (<i>note 18</i>)	13,457	13,605	291,021	292,324
Within one year (<i>note 17</i>)	1,645	1,645	4,219	4,003
	15,102	15,250	295,240	296,327

Loans with interest rates between 7.80% and 9.58% amounting to £36,551,000 are repayable by instalments falling due between 1 August 2017 and 17 September 2027.

On 27 April 2001, the university 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 university, 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 university's intention to hold the Notes until its final maturity date.

On 16 May 2008, the university received a £60m secured loan with an integral swap agreement to provide a fixed interest rate of 4.855%, repayable on 16 May 2048.

On 21 May 2015, the university issued £55m of senior unsecured notes with a fixed interest rate of 2.85%, due 21 May 2035.

On 21 May 2015, the university issued £60m of senior unsecured notes with a fixed interest rate of 3.03%, due 21 May 2040.

On 21 May 2015, the university issued £20m of senior unsecured notes with a fixed interest rate of 3.08%, due 21 May 2050.

20. PENSION PROVISIONS

	Consolidated and University		
	Obligation to fund deficit on pension		
	USS £000	Saul £000	Total £000
At 1 August 2015	64,685	–	64,685
Deficit contributions paid during the year	(2,580)	–	(2,580)
Additional discount rate interest charge for the year	1,941	–	1,941
Additional actuarial loss	8,002	3,603	11,605
At 31 July 2016	72,048	3,603	75,651

The obligation to fund the past deficits on the Universities Superannuation Scheme (USS) and Superannuation Arrangements of the University of London (SAUL) arise from the contractual obligation with the pension schemes for the total payments relating to benefits arising from past performance. Management have assessed future employees within the schemes and salary payments over the period of the contracted obligation in assessing the value of these provisions.

Notes to the accounts *continued*

For the year ended 31 July 2016

21. OTHER PROVISIONS

	Consolidated and University Leasehold dilapidations £000
At 1 August 2015	4,653
Utilised in year	–
Transferred from Income and Expenditure Account during the year	–
At 31 July 2016	<u>4,653</u>

As explained in the Statement of Principal Accounting Policies, note 14, 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 university and therefore no deferred tax assets or liability will be realised.

22. RESTRICTED RESERVES

	Consolidated and University				
	Capital grants £000	Studentships £000	General £000	2016 Total £000	2015 Total £000
At 1 August	28,421	–	–	28,421	19,289
Cash received	17,790	8,379	7,045	33,214	33,222
Capital grants utilised	(35,594)	–	–	(35,594)	(10,034)
Expenditure	–	(8,379)	(7,045)	(15,424)	(14,056)
	<u>(35,594)</u>	<u>(8,379)</u>	<u>(7,045)</u>	<u>(51,018)</u>	<u>(24,090)</u>
At 31 July	<u>10,617</u>	<u>–</u>	<u>–</u>	<u>10,617</u>	<u>28,421</u>

23. ENDOWMENT RESERVES

	Consolidated and University			
	Restricted permanent £000	Restricted expendable £000	2016 Total £000	2015 Total £000
Capital at 1 August	147,478	17,381	164,859	148,553
Accumulated income at 1 August	5,566	8,948	14,514	14,044
	<u>153,044</u>	<u>26,329</u>	<u>179,373</u>	<u>162,597</u>
New donations and endowments	2,021	799	2,820	9,873
Change in market value of endowment investments	9,578	1,322	10,900	6,168
Investment income	4,212	805	5,017	4,809
Expenditure	(3,141)	(885)	(4,026)	(4,074)
At 31 July	<u>165,714</u>	<u>28,370</u>	<u>194,084</u>	<u>179,373</u>
Represented by:				
Capital	159,440	23,034	182,474	164,859
Accumulated income	6,274	5,336	11,610	14,514
	<u>165,714</u>	<u>28,370</u>	<u>194,084</u>	<u>179,373</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

23. ENDOWMENT RESERVES (*continued*)

	At 1 August 2015 £000	Additions and transfers £000	Change in market value £000	Income £000	Expenditure £000	At 31 July 2016 £000
Funds with income under £100,000						
Scholarships (165 funds)	23,577	859	1,483	618	(276)	26,261
Prize funds (262 funds)	7,727	4	477	200	(55)	8,353
Chairs and lectureships (179 funds)	101,997	1,967	6,037	2,800	(2,989)	109,812
Other funds (77 funds)	12,110	(11)	761	503	(118)	13,245
Funds with income over £100,000						
Dimbleby Endowment Fund	7,993	–	509	213	(221)	8,494
Newland-Pedley General Fund	15,163	1	964	403	(304)	16,227
Richard Dickinson USA Fund	4,922	–	293	123	(63)	5,275
Lau China Institute Fund	5,884	–	376	157	–	6,417
	<u>179,373</u>	<u>2,820</u>	<u>10,900</u>	<u>5,017</u>	<u>(4,026)</u>	<u>194,084</u>

The Dimbleby Endowment Fund is used for cancer research, the Newland-Pedley General Fund is used to support the Dental Institute and the Richard Dickinson USA Fund is used for research and training fellowships in dentistry. The Lau China Institute Fund will support academic posts at the Lau China Institute.

24. UNRESTRICTED RESERVES

	Consolidated £000	University £000
Balance at 1 August 2015	631,660	633,894
Surplus after depreciation of assets at cost and tax	27,883	27,958
Release of restricted capital funds spent in year	35,594	35,594
Balance at 31 July 2016	<u>695,137</u>	<u>697,446</u>
The reserves are:		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	575,918	577,926
Departmental reserves	71,236	71,236
Revenue reserve	47,983	48,284
General reserves	<u>119,219</u>	<u>119,520</u>
Total income and expenditure reserve	<u>695,137</u>	<u>697,446</u>

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

25. CAPITAL COMMITMENTS

	Consolidated and University	
	2016 £000	2015 £000
Commitments contracted at 31 July	33,679	37,676
Commitments authorised but not contracted at 31 July	<u>177,795</u>	<u>98,485</u>
	<u>211,474</u>	<u>136,161</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

26. RECONCILIATION OF CASH FLOW TO STATEMENT OF FINANCIAL POSITION

	At 1 August 2015 £000	Cash flows £000	Other changes £000	At 31 July 2016 £000
Cash at bank and in hand	302,380	8,132	–	310,512

27. PENSIONS

The three principal pension schemes in which the university participates are the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service Pension Scheme (NHSPS).

Total pensions costs for the university and its subsidiaries

	Consolidated		University	
	2015–16 £000	2014–15 £000	2015–16 £000	2014–15 £000
Contributions to USS	30,608	25,219	30,608	25,219
Contributions to SAUL	6,008	5,181	6,008	5,181
Contributions to NHSPS	4,185	4,157	4,185	4,157
Contributions to other pension schemes	153	122	111	113
Total pensions costs (<i>note 7</i>)	<u>40,954</u>	<u>34,679</u>	<u>40,912</u>	<u>34,670</u>

Universities Superannuation Scheme (USS)

The university participates in USS, which provides benefits for academic and related employees of all UK universities and some other employers. Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme, which until April 2016 was contracted out of the Second State Pension. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The university is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Thus, as required by Section 28 of FRS 102, 'Employee benefits', it accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was as at 31 March 2014; it was carried out using the projected unit method.

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

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

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

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

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

Male members' mortality	98% of S1NA ['light'] YoB tables – no age rating
Female members' mortality	99% of S1NA ['light'] YoB tables – rated down one year

Notes to the accounts *continued*

For the year ended 31 July 2016

27. PENSIONS (*continued*)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% p.a. long-term rate were also adopted.

The current life expectations on retirement at age 65 are:	2016	2015
Males (females) currently aged 65	24.3 (26.5) years	24.2 (26.4) years
Males (females) currently aged 45	26.4 (28.8) years	26.3 (28.7) years

Existing benefits	2016	2015
Scheme assets	£49,800m	£49,100m
Total scheme liabilities	£58,300m	£60,200m
FRS102 total scheme deficit	£8,500m	£11,100m
FRS102 total funding level	85%	82%

The Trustee and employers have agreed that the technical provisions deficit at the 31 March 2014 valuation will be addressed by:

- For the period up to 1 April 2016, the employers' deficit contributions will amount to 16% p.a. of salaries less the employer future service cost of accrual and the expenses of administering the scheme, including Pension Protection Fund (PPF) levies. On the assumptions made, this gives rise to a deficit contribution of 0.7% p.a. of salaries over this period.
- For the period from 1 April 2016 to March 2031, the employers' deficit contributions will amount to 18% p.a. of salaries less the employers' share of the cost of accrual in the defined benefit section together with the employer contribution to the defined contribution section and the expenses of administering the scheme, including PPF levies. On the assumptions made and once salary threshold and defined contribution section are introduced, this gives rise to deficit contributions of at least 2.1% p.a. of salaries over the period to 31 March 2031. From 1 April 2016 until the salary threshold and defined contribution section are introduced, the deficit contributions amount to 2.5% p.a. of salaries.

The defined benefit liability recognised by the university in respect of the deficit contributions due to USS is £72,048,000 as at 31 July 2016.

The members' benefits were amended from 1 April 2016 as follows:

- For final salary section members, accrued entitlement up to 31 March 2016 will be calculated using pensionable salary and pensionable service immediately prior to this date. In future these accrued benefits will revalue in line with increases in official pensions.
- Future defined benefit accrual after 1 April 2016 will be on a career revalued benefits basis for all members, with a pension accrual of 1/75th and a cash lump sum of 3/75ths of salary for each year of service in respect of salary up to a salary threshold of £55,000 p.a.
- Member contributions will increase to 8% of salary.
- A new defined contribution benefit for salary in excess of the salary threshold at a total level of 20% of salary in excess of the salary threshold (including member contributions of 8% of salary in excess of the salary threshold).
- Optional additional contributions payable into a defined contribution section, of which the first 1% of salary is to be matched by the employer.

Superannuation Arrangements of the University of London (SAUL)

The university participates in SAUL, which provides benefits for non-academic employees. The scheme is a centralised defined benefit scheme and was contracted out of the Second State Pension until April 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The university is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Thus, as required by Section 28 of FRS102, 'Employee benefits', it accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was as at 31 March 2014; it was carried out by a professionally qualified and independent actuary using the projected unit method. Informal reviews of the scheme's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The 2014 valuation was the third valuation for SAUL under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to

Notes to the accounts *continued**For the year ended 31 July 2016***27. PENSIONS** *(continued)*

cover their technical provisions. At the valuation date, the value of the assets of the scheme was £1,927 million and the value of the scheme's technical provisions was £1,986 million, indicating a shortfall of £59 million. The assets were therefore sufficient to cover 97% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The Trustee and employers have agreed that the technical provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018. The overall level of the university's contributions therefore increased from 13% of salaries to 16% with effect from 1 April 2016. The defined benefit liability recognised by the university in respect of the deficit contributions due to SAUL is £3,603,000 as at 31 July 2016.

The members' benefits were amended from 1 April 2016 as follows:

- The final salary section was closed to future accrual, and the salary link to past service for active members was broken.
- Active final salary members at 31 March 2016 received a one-off pensionable service enhancement of up to 5% (depending on age) in lieu of the salary link.
- All members will accrue benefits in the Career Average Revalued Earnings (CARE) section from 1 April 2016.
- The accrual rate for the CARE section increased to 1/75th (from 1/80th) from 1 April 2016
- For pensions accrued after 1 April 2016, increases in payment will be in line with CPI, capped at 2.5% p.a.

National Health Service Pension Scheme (NHSPS)

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

28. RELATED PARTY TRANSACTIONS

The university 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 university's operations and the composition of its Council and committees, it is possible that there will be transactions from time to time between the university 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 university's Financial Regulations and procurement policies.

In particular, the university 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 university 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 Council. The university makes an annual grant to the Union.

29. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and University			
	Access funds		Training salaries	
	2015–16	2014–15	2015–16	2014–15
	£000	£000	£000	£000
Balance underspent at 1 August	2	98	242	156
Funding Council and Training and Development Agency for Schools grants	–	–	3,415	2,958
Disbursed to students	(2)	(96)	(3,291)	(2,872)
Balance underspent at 31 July	<u>–</u>	<u>2</u>	<u>366</u>	<u>242</u>

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

Notes to the accounts *continued**For the year ended 31 July 2016***30. TRANSITION TO FRS102**

As explained in the accounting policies, these are the university's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2015, the comparative information presented in these financial statements for the year ended 2014 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102, SORP-based Statement of Financial Position, the university has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has affected the university's financial performance and cash flows is set out in the following tables.

	31 July 2014			31 July 2015		
	UK GAAP £000	Change £000	FRS102 £000	UK GAAP £000	Change £000	FRS102 £000
Non-current assets						
Fixed assets	807,767	–	807,767	853,526	–	853,526
Investments	34,041	–	34,041	34,217	–	34,217
Endowment investments	162,597	–	162,597	179,373	–	179,373
	<u>1,004,405</u>	<u>–</u>	<u>1,004,405</u>	<u>1,067,116</u>	<u>–</u>	<u>1,067,116</u>
Current assets						
Trade and other debtors	78,212	–	78,212	89,729	–	89,729
Cash and cash equivalents	119,861	–	119,861	302,380	–	302,380
	<u>198,073</u>	<u>–</u>	<u>198,073</u>	<u>392,109</u>	<u>–</u>	<u>392,109</u>
Less: Creditors: amounts falling due within one year	<u>(193,328)</u>	<u>(6,632)</u>	<u>(199,960)</u>	<u>(221,164)</u>	<u>(6,802)</u>	<u>(227,966)</u>
Net current assets	<u>4,745</u>	<u>(6,632)</u>	<u>(1,887)</u>	<u>170,945</u>	<u>(6,802)</u>	<u>164,143</u>
Total assets less current liabilities	<u>1,009,150</u>	<u>(6,632)</u>	<u>1,002,518</u>	<u>1,238,061</u>	<u>(6,802)</u>	<u>1,231,259</u>
Creditors: amounts falling due after more than one year	<u>(167,801)</u>	<u>–</u>	<u>(167,801)</u>	<u>(322,467)</u>	<u>–</u>	<u>(322,467)</u>
Provisions						
Pension provisions	–	(36,533)	(36,533)	–	(64,685)	(64,685)
Other provisions	(12,975)	–	(12,975)	(4,653)	–	(4,653)
	<u>828,374</u>	<u>(43,165)</u>	<u>785,209</u>	<u>910,941</u>	<u>(71,487)</u>	<u>839,454</u>
Total net assets	<u>828,374</u>	<u>(43,165)</u>	<u>785,209</u>	<u>910,941</u>	<u>(71,487)</u>	<u>839,454</u>
Deferred capital grants	416,164	(416,164)	–	424,787	(424,787)	–
Restricted reserves						
Income and expenditure reserve – endowment reserve	162,597	–	162,597	179,373	–	179,373
Income and expenditure reserve – restricted reserve	–	19,289	19,289	–	28,421	28,421
Unrestricted reserves						
Income and expenditure reserve – unrestricted	249,613	353,710	603,323	306,781	324,879	631,660
	<u>828,374</u>	<u>(43,165)</u>	<u>785,209</u>	<u>910,941</u>	<u>(71,487)</u>	<u>839,454</u>
Total reserves	<u>828,374</u>	<u>(43,165)</u>	<u>785,209</u>	<u>910,941</u>	<u>(71,487)</u>	<u>839,454</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

30. TRANSITION TO FRS102 (*continued*)

	31 July 2014			31 July 2015		
	UK GAAP £000	Change £000	FRS102 £000	UK GAAP £000	Change £000	FRS102 £000
Creditors: amounts falling due within one year	(193,328)	–	(193,328)	(221,164)	–	(221,164)
Holiday pay accrual	–	(6,632)	(6,632)	–	(6,632)	(6,632)
Holiday pay accrual 2015	–	–	–	–	(170)	(170)
	<u>(193,328)</u>	<u>(6,632)</u>	<u>(199,960)</u>	<u>(221,164)</u>	<u>(6,802)</u>	<u>(227,966)</u>
Pension provisions						
USS pension liability	–	(36,533)	(36,533)	–	(36,533)	(36,533)
USS pension liability movement 2015	–	–	–	–	(28,152)	(28,152)
	<u>–</u>	<u>(36,533)</u>	<u>(36,533)</u>	<u>–</u>	<u>(64,685)</u>	<u>(64,685)</u>
Deferred capital grants	416,164	–	–	424,787	–	–
Transfer to unrestricted income	–	(396,875)	–	–	(396,875)	–
Transfer to restricted income	–	(19,289)	–	–	(19,289)	–
Transfer to restricted income for 2015	–	–	–	–	(19,166)	–
Transfer to unrestricted research income for 2015	–	–	–	–	(1,914)	–
Transfer to unrestricted income for 2015	–	–	–	–	12,457	–
	<u>416,164</u>	<u>(416,164)</u>	<u>–</u>	<u>424,787</u>	<u>(424,787)</u>	<u>–</u>
Income and expenditure reserve – restricted reserve	–	–	–	–	–	–
Transfer re DCG to restricted income	–	19,289	19,289	–	19,289	19,289
Transfer re DCG to restricted income for 2015	–	–	–	–	19,166	19,166
Transfer re DCG to unrestricted income	–	–	–	–	(10,034)	(10,034)
	<u>–</u>	<u>19,289</u>	<u>19,289</u>	<u>–</u>	<u>28,421</u>	<u>28,421</u>
Income and expenditure reserve – unrestricted	249,613	–	249,613	306,781	–	306,781
Holiday pay accrual	–	(6,632)	(6,632)	–	(6,632)	(6,632)
Holiday pay accrual 2015	–	–	–	–	(170)	(170)
USS pension liability	–	(36,533)	(36,533)	–	(36,533)	(36,533)
USS pension liability movement 2015	–	–	–	–	(28,152)	(28,152)
Transfer re DCG to unrestricted income	–	396,875	396,875	–	396,875	396,875
Transfer re DCG to unrestricted research income for 2015	–	–	–	–	1,914	1,914
Transfer re DCG to unrestricted income for 2015	–	–	–	–	(12,457)	(12,457)
Transfer re DCG to unrestricted income	–	–	–	–	10,034	10,034
	<u>249,613</u>	<u>353,710</u>	<u>603,323</u>	<u>306,781</u>	<u>324,879</u>	<u>631,660</u>

Notes to the accounts *continued**For the year ended 31 July 2016*30. TRANSITION TO FRS102 (*continued*)

	2014–15 UK GAAP £000	Change £000	2014–15 FRS102 £000
Income			
Tuition fees and education contracts	236,183	–	236,183
Funding body grants	112,665	2,916	115,581
Research grants and contracts	210,782	344	211,126
Other income	119,425	(15,877)	103,548
Investment income	5,170	735	5,905
Total income before donations and endowments	<u>684,225</u>	<u>(11,882)</u>	<u>672,343</u>
Donations and endowments	–	31,113	31,113
Total income	<u>684,225</u>	<u>19,231</u>	<u>703,456</u>
Expenditure			
Staff costs	380,816	(4,500)	376,316
Other operating expenses	217,837	–	217,837
Depreciation	28,942	–	28,942
Interest and other finance costs	12,854	877	13,731
Total expenditure	<u>640,449</u>	<u>(3,623)</u>	<u>636,826</u>
Surplus before other gains and losses	43,776	22,854	66,630
Gain on disposal of fixed assets	17,573	–	17,573
Gain on investments	–	6,168	6,168
Surplus before tax	<u>61,349</u>	<u>29,022</u>	<u>90,371</u>
Taxation	4,181	–	4,181
Surplus for the year	<u>57,168</u>	<u>29,022</u>	<u>86,190</u>
Actuarial loss in respect of pension schemes	–	(31,945)	(31,945)
Total comprehensive income for the year	<u>57,168</u>	<u>(2,923)</u>	<u>54,245</u>
Represented by:			
Endowment comprehensive income for the year	–	16,776	16,776
Restricted comprehensive income for the year	–	9,132	9,132
Unrestricted comprehensive income for the year	<u>57,168</u>	<u>(28,831)</u>	<u>28,337</u>
	<u>57,168</u>	<u>(2,923)</u>	<u>54,245</u>

Notes to the accounts *continued*

For the year ended 31 July 2016

30. TRANSITION TO FRS102 (*continued*)

	2014-15 UK GAAP £000	Endowment income £000	Restricted income £000	Unrestricted income £000	2014-15 FRS102 £000
Tuition fees and education contracts	236,183	–	–	–	236,183
No changes	–	–	–	–	–
	<u>236,183</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>236,183</u>
Funding body grants	112,665	–	–	–	112,665
Deferred capital grants released under UK GAAP	–	–	–	(8,795)	(8,795)
Capital grants received	–	–	11,711	–	11,711
	<u>112,665</u>	<u>–</u>	<u>11,711</u>	<u>(8,795)</u>	<u>115,581</u>
Research grants and contracts	210,782	–	–	–	210,782
Deferred capital grants released under UK GAAP	–	–	–	(4,911)	(4,911)
Grants received not transferred to deferred capital grants	–	–	–	5,255	5,255
	<u>210,782</u>	<u>–</u>	<u>–</u>	<u>344</u>	<u>211,126</u>
Other income	119,425	–	–	–	119,425
Research Council studentship grants	–	–	6,777	(6,777)	–
Restricted donations received now shown under donations	–	–	–	(7,279)	(7,279)
Donations received now shown under donations	–	–	–	(6,506)	(6,506)
Deferred capital grants released under UK GAAP	–	–	–	(2,092)	(2,092)
	<u>119,425</u>	<u>–</u>	<u>6,777</u>	<u>(22,654)</u>	<u>103,548</u>
Investment income	5,170	–	–	–	5,170
Endowment income transferred under UK GAAP	–	(4,074)	–	–	(4,074)
Endowment income received	–	4,809	–	–	4,809
	<u>5,170</u>	<u>735</u>	<u>–</u>	<u>–</u>	<u>5,905</u>
Donations and endowments					
Capital grants received	–	–	7,455	–	7,455
New permanent endowments	–	8,200	–	–	8,200
New expendable endowments	–	1,673	–	–	1,673
Donations with restrictions	–	–	7,279	–	7,279
Unrestricted donations	–	–	–	6,506	6,506
	<u>–</u>	<u>9,873</u>	<u>14,734</u>	<u>6,506</u>	<u>31,113</u>
Staff costs	(380,816)	–	–	–	(380,816)
Pension deficit costs charged to pension provision	–	–	–	4,670	4,670
Additional holiday pay accrual	–	–	–	(170)	(170)
	<u>(380,816)</u>	<u>–</u>	<u>–</u>	<u>4,500</u>	<u>(376,316)</u>
Other operating expenses	(217,837)	–	–	–	(217,837)
Capital grants utilised	–	–	(10,034)	10,034	–
Expenditure against restricted income	–	–	(14,056)	14,056	–
	<u>(217,837)</u>	<u>–</u>	<u>(24,090)</u>	<u>24,090</u>	<u>(217,837)</u>
Depreciation	(28,942)	–	–	–	(28,942)
No changes	–	–	–	–	–

Notes to the accounts *continued*

For the year ended 31 July 2016

30. TRANSITION TO FRS102 (*continued*)

	2014-15 UK GAAP £000	Endowment income £000	Restricted income £000	Unrestricted income £000	2014-15 FRS102 £000
	(28,942)	–	–	–	(28,942)
Interest and other finance costs	(12,854)	–	–	–	(12,854)
Interest payable on pension deficit	–	–	–	(877)	(877)
	<u>(12,854)</u>	<u>–</u>	<u>–</u>	<u>(877)</u>	<u>(13,731)</u>
Gain on disposal of fixed assets	17,573	–	–	–	17,573
No changes	–	–	–	–	–
	<u>17,573</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,573</u>
Gain on investments	–	–	–	–	–
Gain on permanent endowments	–	5,622	–	–	5,622
Gain on expendable endowments	–	546	–	–	546
	<u>–</u>	<u>6,168</u>	<u>–</u>	<u>–</u>	<u>6,168</u>
Taxation	(4,181)	–	–	–	(4,181)
No changes	–	–	–	–	–
	<u>(4,181)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,181)</u>
Actuarial loss in respect of pension schemes	–	–	–	–	–
Actuarial loss in respect of pension schemes	–	–	–	(31,945)	(31,945)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(31,945)</u>	<u>(31,945)</u>
Total comprehensive income for the year	<u>57,168</u>	<u>16,776</u>	<u>9,132</u>	<u>(28,831)</u>	<u>54,245</u>

31. LEASE OBLIGATIONS

	Consolidated and University			2015
	Land and buildings £000	Other leases £000	2016 Total £000	Total £000
Payable during the year ended 31 July	<u>41,865</u>	<u>281</u>	<u>42,146</u>	<u>10,213</u>
Future minimum lease payments due:				
Not later than one year	45,137	270	45,407	9,605
Later than one year and not later than five years	105,073	751	105,824	29,146
Later than five years	739,815	100	739,915	126,231
Total lease payments due	<u>890,025</u>	<u>1,121</u>	<u>891,146</u>	<u>164,982</u>