

Financial Statements

for the year to 31 July 2017

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Chairman's foreword

The Report and Accounts presented here show a financial surplus of some £24m. Our lower cash reserves largely reflect the progress made on our major refurbishment initiatives in Bush House, where the first occupants have already moved in.

King's launched Vision 2029 this year, setting out significant ambitions. The King's community has been deliberate, critical and determined in setting out its aspirations for the year ahead and an overarching commitment to serve society beyond what is expected or required. To achieve those aims will take not only drive and determination but also an openness of mind. I firmly believe that the King's community demonstrates all these qualities.

King's aspires to the very highest standards of education, research and service in a way that continues to respect knowledge as being at the core of all it does, but is focused also on the needs of young people and society at large in these challenging times. King's has a range of tangible initiatives and investments that will give rise to this ambition in the years ahead. The university will continue to expand the huge contribution it makes to London and through that a national contribution within the UK, and beyond that to an international community that serves the world.

The year has seen some uncertainty about government policy towards universities. We now know that the fees for home undergraduates will be frozen at present levels until further notice. Accordingly, we recognise that this directly reduces university funding and creates a stiffer challenge to maintain financial sustainability.

The implications of Brexit will only be determined with any precision as negotiations proceed. Together with discussion about the availability of student and work visas, these will challenge universities to ensure that the best students and the best academics are made to feel welcome here. 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.

I am glad to commend this Report and Accounts to all those with an interest in this great university. 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.

The Rt Hon the Lord Geidt
Chairman of Council

Council and Council committee membership 1 August 2016– 31 July 2017

Council

The Rt Hon the Lord Geidt GCVO KCB OBE FKC
[Chairman since August 2016]

Professor Edward Byrne AC *[President & Principal since September 2014]*

Dr Angela Dean *[since 2012]*

Mr Michael D'Souza *[Honorary Treasurer since August 2016]*

The Hon Sir David Foskett FKC *[since June 2010]*

Mr Paul Goswell *[since 2015]*

Professor Brian Holden Reid FKC *[since June 2010]*

Mr Ben Hunt *[August 2016–31 July 2017]*

Ms Ros King *[since 2012]*

Professor Sir Robert Lechler KBE FKC *[since 2009]*

Baroness Morgan of Huyton *[Vice-Chairman since August 2016, member since 29 June 2016]*

Mr Chris Mottershead *[since 2009]*

The Right Reverend Dame Sarah Mullaly *[since November 2015]*

Mr Momin Saqib *[ex officio, since August 2017]*

Sir Nigel Sheinwald *[since 2014]*

Mr Andrew Summers CMG *[since June 2010]*

Dr Ian Tebbett *[since 2016]*

Ms Nhuoc Lan Tu *[since April 2016]*

Professor Evelyn Welch *[since 2013]*

Professor The Baroness Wolf CBE *[since June 2010]*

Chairman's Committee

The Rt Hon the Lord Geidt GCVO KCB OBE FKC
[Chairman since August 2016]

Professor Edward Byrne AC *[President & Principal since September 2014]*

Dr Angela Dean *[since 2014]*

Mr Michael D'Souza *[Honorary Treasurer since August 2016]*

Mr Paul Goswell *[ex officio, since 2015]*

Professor Sir Robert Lechler KBE FKC *[since 2009]*

Baroness Morgan of Huyton *[Vice-Chairman since August 2016]*

Mr Chris Mottershead *[since 2009]*

Sir Nigel Sheinwald *[since 2014]*

Mr Andrew Summers CMG *[ex officio, since 2010]*

Professor Evelyn Welch *[since 2013]*

Finance Committee

Mr Michael D'Souza *[Chairman and Honorary Treasurer since August 2016]*

Professor Edward Byrne AC *[President & Principal since September 2014]*

Mr Peter Clarke *[since 2015]*

Mr Tony Collyer *[since March 2010]*

Dr Angela Dean *[since December 2012]*

Mr Stephen Large *[ex officio, since 2000]*

Mr Richard North *[since 2010]*

Mr Andrew Scott *[since 2015]*

Dr Ian Tebbett *[since October 2016]*

Mr Michael Urmston *[since 2010]*

Professor The Baroness Wolf CBE *[since 2011]*

Audit, Risk & Compliance Committee

Mr Andrew Summers CMG *[Chairman since 2010]*

Professor Susan Brain *[since 2011]*

Ms Christy Burzio *[November 2014–December 2016]*

Ms Julienne Daghish *[since June 2017]*

Professor Brian Holden Reid FKC *[since 2011]*

Mrs Sarah Hopwood *[since 2011]*

Ms Ros King *[since December 2012]*

Mr Keith Little *[November 2008–June 2017]*

Mr Paul Mitchell *[November 2008–June 2017]*

Ms Nhuoc Lan Tu *[since February 2017]*

Mr George Warren *[since February 2017]*

Ms Sarah Wilkinson *[since June 2017]*

Investment Subcommittee

Mr David Morgan *[Chairman since September 2015]*

Professor Edward Byrne AC *[President & Principal since September 2014]*

Dr Angela Dean *[since 2012]*

Mr Rob Gambi *[since April 2015]*

Mr John Harrison *[ex officio, since 2016]*

Mr Patrick Johns *[April 2008–28 June 2017]*

Mr Stephen Large *[ex officio, since 2000]*

Mr Mark Laurence *[since April 2008]*

Mr David Potter FKC *[since April 2008]*

Mr Simon Pryke *[since April 2015]*

Estates Strategy Committee

Mr Paul Goswell *[Chairman since 2015]*

Professor Edward Byrne AC *[President & Principal since September 2014]*

Mr David Cripps *[Vice-Chairman since 2010]*

Mr Stephen Large *[ex officio, since 2000]*

Professor Sir Robert Lechler KBE FKC *[ex officio, since 2009]*

Mr Ralph Luck *[ex officio, October 2013–May 2017]*

Baroness Morgan of Huyton *[since 24 November 2015]*

Mr Nick O'Donnell *[ex officio, since 2017]*

Mr Daniel Peltz FKC *[since December 2012]*

Dr Ian Tebbett *[ex officio, since October 2016]*

Professor Evelyn Welch *[ex officio, since 2013]*

Operating and financial review for the year ended 31 July 2017

Key facts

	2016–17	2015–16
Total comprehensive income for the year	£24m	£60.4m
Total income	£778.2m	£738.3m
Net cash inflow from operating activities as a % of total income	6.2%	6.6%
Unrestricted reserves as a % of total income	89.5%	94.1%
External borrowings as a % of total income	39.7%	42.0%
Net liquidity days	124 days	167 days
Staff numbers, average headcount	6,590	6,215
Student numbers, full-time equivalent (July return to the Higher Education Statistics Agency, HESA)	25,978	24,076
Research: new and renewed awards (forward order book)	£182.0m	£158.1m
Fund-raising: new cash and pledges for the university and partners	£24.7m ¹	£52.6m

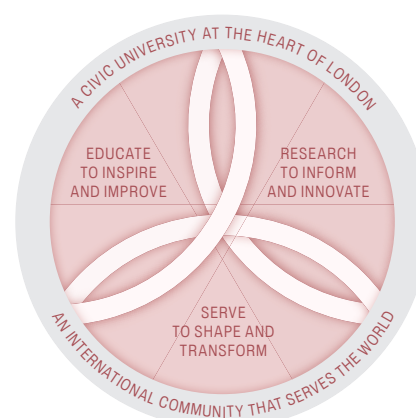
¹ 2016–17 excludes directed research, pending development of the new campaign.

Operating highlights

We are pleased to report £24m comprehensive income for the year. The underlying operating performance was better than plan, due both to strong results in educational income (particularly the recruitment of international students) and slower than anticipated academic appointments. On a like-for-like basis our research income for 2016–17 was around £1.8m higher than in 2015–16, and the level of new awards (the forward order book) shows a pleasing 15%/£24m increase year on year, which will flow into operating performance as the grants go live over the next year or so.

It was a challenging first quarter following a systems failure, but our people worked diligently to recover the situation. Following a detailed review, additional steps were taken, including further investment to bolster the resilience of our IT services. In January 2017 King’s launched Vision 2029: an ambitious and forward-looking vision of what

King’s can do in the next stage of its journey. This was the culmination of wide-ranging consultation and engagement with the whole university community.

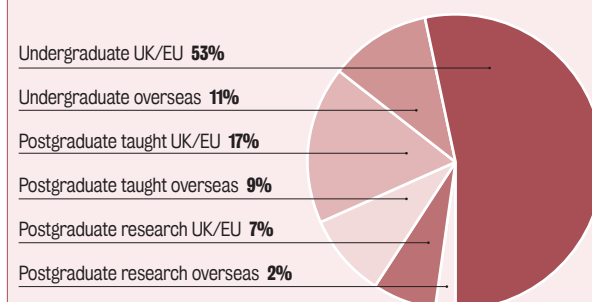


Vision 2029 identifies five interlinked strategic priorities:

- educate to inspire and improve: a recognised community of learners in which students and staff across disciplines collaborate and connect to change the world
- research to inform and innovate: home to the most able and innovative researchers, delivering valuable insight and ground-breaking discovery in state-of-the-art infrastructure
- serve to shape and transform: known as the university that makes a significant and innovative contribution to society and to business, beyond education and research
- be a civic university at the heart of London: regarded throughout the world as London’s leading civic university
- be an international community that serves the world: making a significant difference on the world stage.

These priorities are supported through a set of transformative initiatives, some of which (for example, the establishment of a business school and the development of provision in engineering, science and technology) are well advanced. Our new business school will be housed in Bush House, where refurbishment is proceeding according to plan and the first occupants moved in during the year. Other initiatives include supporting and developing our employees

Students by category, July 2017



As reported in the July 2017 return to HESA

and investing in new enterprise applications in finance, payroll and human resources.

The university invested additional resource in its diversity and inclusion function, appointing a new director to spearhead its programme. Training sessions on unconscious bias have been well attended across the university, and two major initiatives include work on bullying and harassment and on the provision of support for disabled students.

In May 2017 the terrible terrorist event at Westminster Bridge saw our King's Health Partners at St Thomas' and King's College hospitals react magnificently to the horrors of the attack. In June, the terrorist event at London Bridge unfolded close to the heart of our Guy's Campus. Staff from our Estates department reacted immediately, and we were very proud of our security and residences employees in particular. University life continued as normal, albeit with much heightened security, and Student Services have contacted all students affected by the attack to offer support both in the immediate aftermath and on an ongoing basis.

Looking forward, we have already enrolled our undergraduate students for the 2017–18 cycle. Against a background of reduced application numbers elsewhere in the sector, we are pleased that applications to King's were about the same as the preceding year, and enrolment numbers are likely to be above target. Applications from the EU increased by just over 3%, with much of the increase related to the launch of a new economics undergraduate degree. There were significant decreases in applications to the nursing, midwifery and physiotherapy undergraduate programmes related to the introduction of the £9,250 tuition fee and in applications to the postgraduate diplomas in nursing and midwifery related to uncertainty around the future funding arrangements for these programmes.

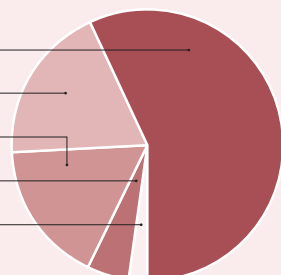
Sustainability

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

Credit rating	2016–17	2015–16
Standard & Poor's	AA-	AA-

Staff numbers by category, 2016–17 average

Academic	3,736	57%
Clerical	1,243	19%
Administrative	1,114	17%
Technical	340	5%
Other	157	2%



Standard and Poor's affirmed its long-term issuer credit rating of AA- with a stable outlook. This reflects its view that King's will maintain its strong position in the sector, with high levels of applications and a strong research standing.

Diversity and inclusion	2015–16	2014–15
Senior female staff %	42.2	43.1
Senior black and minority ethnicity (BME) staff %	17.2	16.3

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.

Education	Latest year	Prior year
Ratio of offers to firm acceptances: 2016–17 compared to 2015–16	29.3	31.0
Average tariff score: 2015–16 compared to 2014–15	454.6	463.6
BME attainment gap: 2015–16 and 2014–15	-4.3	-8.4
Destination of Leavers from Higher Education graduate outcome (first degree): 2015–16 and 2014–15	86.1%	83.6%

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

Global university rankings	Latest	Prior year
Quacquarelli Symonds (QS) World Rankings	23rd = (2018)	21st (2017)
Times Higher Education (THE) World Rankings	36th (2018)	36th = (2017)
Shanghai Academic Ranking of World Universities (ARWU)	46th (2017)	50th (2016)

The student boycott of the National Student Survey (NSS) resulted in participation rates that were too low to qualify for publication. (The survey results were to be a factor in determining fee increases under the terms of the Teaching Excellence Framework.) This will have a longer-term impact on domestic and global league table positioning.

Research and innovation	2015–16	2014–15
% research grants and contracts income from Research Councils	21.8	19.7
% postgraduate research completion rate	69.1	62.0
Number of new patents	104	100

King’s regularly monitors its performance against a range of environmental objectives and sustainable development targets. These include policies for energy and carbon management, waste management and green transport. Performance against a range of environmental objectives is made available online across the university.

Sustainability is one of the core foundations of Vision 2029 and King’s seeks to follow the 17 sustainable development goals defined by the United Nations. It is working in partnership with other universities to address global challenges through the Global Consortium for Sustainability Outcomes and the PLuS Alliance. Combining the strengths of three leading research universities on three continents – Arizona State University, King’s and the University of New South Wales – the alliance is focusing many of our colleagues in those universities to work together around the global grand challenges in health, social justice, sustainability, technology and innovation.

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. During the year the university and King’s College London Students’ Union (KCLSU) worked together to reach a common understanding on investment in fossil fuels.

Educate to inspire and improve

The political environment surrounding university education has been in flux this year, with all three main parties supporting a review of university funding. The Teaching Excellence Framework (TEF), which was announced as part of the Higher Education and Research Bill (now Act), proposed that inflationary increases to the upper-fee cap for home undergraduate students would be linked to assessments of teaching quality that included National Student Survey (NSS) results. An annual survey of final-year undergraduate

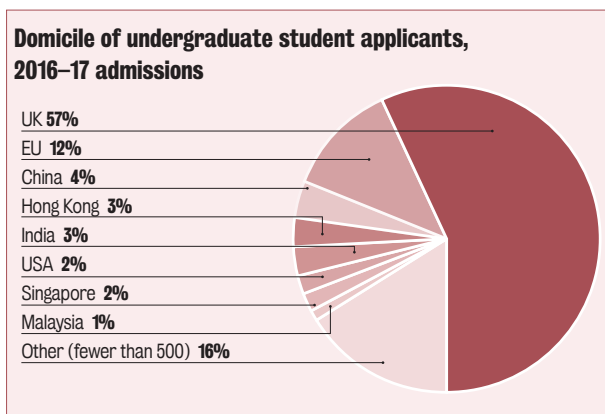
students, the NSS contributes towards a number of UK university league tables, recording the proportion of responding students expressing satisfaction in seven areas of assessment. As a result of the proposed linkage between the NSS and fee increases, many students chose not to take part, and at King’s the response rate was below the benchmark of 50% set by the Higher Education Funding Council for England (HEFCE) to determine publication of results. In October 2017, announcements at the Conservative party conference clarified that, for now, inflation will not be applied to the £9,250 upper-fee cap for home undergraduate students.

Additionally there have been important changes to the funding of nursing, midwifery and allied healthcare teaching, with undergraduate fees moving from zero in 2016–17 to £9,250 for entry in 2017–18, albeit with students now having access to student loans. The impact on student recruitment has been significant. For now the university understands there will be no major changes to the availability of student visas for international applicants, although future arrangements for EU students remain to be clarified as part of the Brexit negotiations. King’s is adopting a cautious approach to planning in the light of such potentially significant unknowns.

Despite a general decrease in the overall size of the student market in the UK, King’s has performed well. At King’s, 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. We expect further growth, particularly in demand for new programme offerings in the business school. Similarly, although some institutions have reported reduced applications from EU students for the 2016–17 admissions cycle, King’s saw an increase of over 3%.

The ongoing priority for King’s is to enhance the student experience while growing student numbers.

Student numbers (full-time equivalent)	July 2017	July 2016	Change
Undergraduate	16,690	15,622	1,068
Postgraduate taught	6,927	6,063	864
Postgraduate research	2,361	2,391	(30)
Total	25,978	24,076	1,902



King’s launched a new education strategy shortly after the year end in September 2017. This is built upon the first priority of Vision 2029 – ‘educate to inspire and improve’ – and it sets out the university’s ambition for the next five years to produce highly employable, strong and capable graduates informed by a curriculum delivered in the heart of London, enhanced by research, service and international perspectives.

Meanwhile the university and KCLSU remain committed to improving the student experience at King’s, and this is our joint core mission. We plan to continue working

closely together to ensure high levels of student engagement and satisfaction, particularly in terms of BME attainment, mental health, wellbeing and developing curricula that are reflective of the diverse student body.

In King's most recent (2015–16) widening access monitoring return to the Office for Fair Access (OFFA), it was reported that all intake milestones had been met. The university has substantially increased numbers of full-time first-degree entrants on HEFCE-funded programmes from state schools to 77.3% of total intake. This has exceeded both the 2015–16 and 2019–20 targets. Also, in 2015–16 the proportion of young full-time first-degree entrants from Acorn categories 4 and 5 (financially stretched, and urban adversity) was 24%, which is 5% higher than the 2015–16 target and 2% higher than the 2019–20 figure.

The university's flagship widening participation scheme, K+, has already met its 2019–20 target, with 546 students enrolled at King's in 2015–16. In 2014–15 the number of students from ethnic groups defined as non-white increased to 44% from 41%, meaning the 2019–20 target has been exceeded and the 2015–16 scaled milestone fulfilled. Performance in relation to retention stands at 92.6% of students continuing into their second year of study; this represents a modest reduction from the 2014–15 performance of 93.2%.

In July 2017 OFFA approved King's 2018–19 access agreement. New initiatives detailed in it include King's 'Start Up' bursaries, which are intended to help students who are care leavers and those who have successfully completed the K+ and Realising Opportunities programme. In 2017–18 the university will offer up to 90 awards worth £1,000 each to first-year entrants. The funds are to help students settle into university life and purchase any key materials, with particular reference to textbooks and computers; this is a scoping project to respond to the under-representation of white working-class males in higher education.

King's Widening Participation Department, the Policy Institute at King's and the Behavioural Insights Team have delivered a two-year collaborative project examining whether behavioural insights can be used to improve the outcomes of non-traditional students in a UK university context – the first time this methodology has been applied in such a context. Building on the learning from the first year of the pilot study, the project expanded in 2016–17 to include seven ambitious randomised control trials (RCTs).

Five of the RCTs have sought to increase student engagement with key services such as study abroad and online study skills modules, by sending students behaviourally inspired text messages. These test both whether receiving a text increases the likelihood of a student engaging with the service mentioned, and also whether the type of message received produces differential outcomes in behaviour.

Two further RCTs are investigating whether targeted interventions can increase students' sense of belonging at King's. The aim is to test the efficiency of wrap-around support models in improving the retention and attainment of widening participation students; a key outcome measure for these trials is re-enrolment data from September 2017. Results have been and will continue to be published throughout 2017 at various sector conferences, and learnings are likely to be applicable both across King's and in the sector more widely.

Research to inform and innovate

King's launched its research strategy in 2017 in support of the overall King's Strategic Vision 2029. It was the culmination of 12 months' work across the university to better understand the needs of the research community and define how King's will enable the full potential of outstanding research staff and students to be realised. The university's ambition will focus on growth in quality, impact and income across a broad spectrum of disciplines where it has existing strengths, with a focus on interdisciplinary working. There are also plans for new research activity in the four areas below to reflect substantial growth in new educational offerings within the university and/or the strategic direction of King's Health Partners, our Academic Health Science Centre.

- 21st-century science and technology
- management and business
- human development and health
- population health and implementation science.

The forward order book is showing strong growth, particularly in respect of transactions with charitable bodies and with the EU. The related income will flow through over the next couple of years.

King's is beginning to prepare for the Research Excellence Framework (REF) 2021, 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 continues.

Research awards and renewals	2016–17 £000	2015–16 £000	Increase £000
Arts and Sciences faculties	39,513	26,617	12,896
Health faculties	142,222	131,351	10,871
Other	272	94	178
Total King's	182,007	158,062	23,945

Major successes during the year included the following.

- Health Secretary Jeremy Hunt announced more than

£130m for the renewal of the Biomedical Research Centres (BRCs) at the university in partnership with the Guy's & St Thomas' and South London & Maudsley NHS Foundation Trusts. The award will allow the Maudsley BRC to build on its current work and expand into new areas such as substance use, pain and mobile health technology. The BRC at Guy's & St Thomas' will continue its mission to develop advanced treatments across a range of nine research themes. This will enable the two centres to build on their successes, including research identifying for the first time that people with severe mental illness die 15 years prematurely compared to the general population and a ground-breaking clinical trial that harnesses the power of the immune system to help in the fight against cancer.

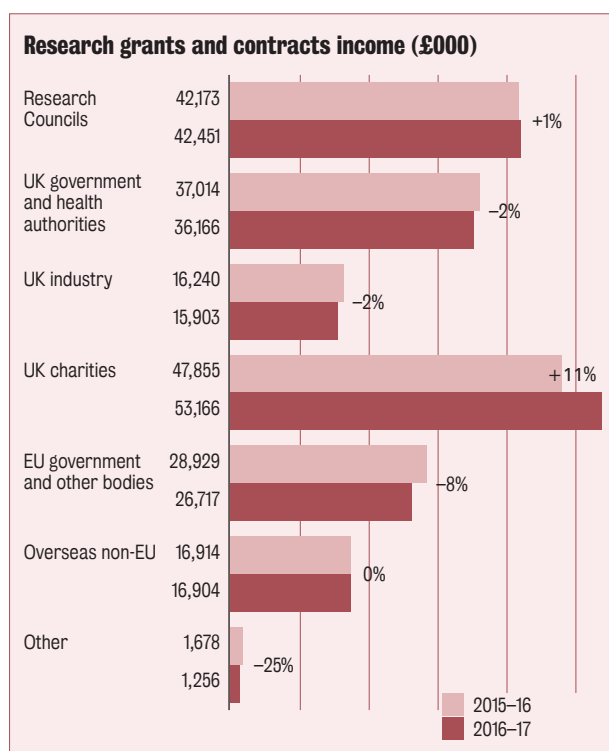
- In July 2017 it was announced that a £30m world-class advanced therapies centre is to be established by King's in partnership with the National Institute for Health Research (NIHR) Biomedical Research Centre at Guy's & St Thomas'. Supported by an award of £10.2m from the HEFCE-managed UK Research Partnership Investment Fund and a further £20m from private sector and non-profit organisations, the centre will develop cutting-edge experimental treatments with the aim of revolutionising the way patients all over the world are treated for diseases like cancer and diabetes.
- The School of Biomedical Engineering and Imaging Sciences successfully bid for £12.1m from the Wellcome Trust/Engineering and Physical Sciences Research Council (EPSRC) for the Centre for Medical Engineering. Following on from the previously funded Medical Engineering Centre, it will focus on medical imaging, providing infrastructure to enhance research on developing biomarkers to allow early detection of new imaging methodologies, improved tools for image analysis, imaging robotics, image-guided surgical interventions and novel molecular imaging probes.
- During the past year, four researchers were awarded prestigious Wellcome Trust Investigator awards, totalling £7.5m. Each addresses a specific neuroscientific research area: mechanisms detecting warm and cold, influencing the maintenance of body temperature and extremes like fever; ways information about the visual world is translated into different patterns of brain activity; how specific neural networks are assembled and organised during brain development; and reprogramming of non-neuronal nervous system cells into specific cortical neurons, with the potential for a developing a novel cell-based therapy for brain repair.
- King's was one of five UK universities to be awarded a prestigious Dementia Research Institute centre supporting both science and infrastructure (£7.4m). In

the first phase this centre will focus on the neurobiology of frontotemporal dementia and motor neurone disease, expanding into other dementias in phase two.

- The King's Centre for Stem Cells & Regenerative Medicine received a Wellcome Investigator Award of £2.7m to characterise transition states in mammalian cells, to understand their effects both on tissue maintenance and on disease states such as cancer.
- King's was awarded £2.1m from EPSRC as part of a Programme Grant (SmartHeart), in collaboration with Imperial College London, to develop next-generation cardiovascular healthcare via integrated image acquisition, reconstruction and analysis.
- A £1.8m award from the European Commission will fund research into the relationship between brain networks and certain behaviours that are common in mental health disorders, such as depression, attention deficit hyperactivity disorder and alcohol-use disorders.
- In the School of Cancer Studies, a £1.8m Wellcome Senior Research Fellowship grant was awarded to investigate the mechanics of cell separation during division for proliferation and growth, and to investigate how deregulation of this affects cancerous cells.
- The School of Cardiovascular Medicine & Sciences successfully renewed a £1.7m British Heart Foundation (BHF) Programme grant supporting work for a further five years looking at why, as we age, our arteries accumulate bone-like deposits and harden.
- The School of Cardiovascular Medicine & Sciences successfully renewed a £1.6m BHF Programme grant that looks at the role of cell death in heart failure; this also continues the research funding for a further five years.

Income tends to lag some 12–18 months behind the initial award, and the value of new awards during 2015–16 had fallen to more usual levels against the very strong performance of 2014–15. It was therefore expected that income in the 2016–17 year would be somewhat subdued, and on a like-for-like basis (adjusting the prior year for research development tax credits) it has shown only a 1%/£1.8m increase compared to 2015–16.

The pleasing performance seen in the forward order book will flow through to income as the grants go live over the next year or so.



Serve to shape and transform

King's was established to be distinctive not simply by serving its own concerns, or those of the students, but by being committed to benefitting others in the wider world. Service is fiercely embraced and deeply embedded in the ethos of King's. The university ensures its students develop not just intellectually, but also personally, ethically and spiritually, with the character and wisdom to use their knowledge for the benefit of others. The King's research portfolio has a demonstrable global impact on society. Institutionally, we continue to open up the university to be porous to new ideas, innovations and individuals.

King's Health Partners (KHP) is an Academic Health Science Centre where world-class research, education and clinical practice are brought together for the benefit of patients. King's partners are Guy's & St Thomas', King's College Hospital and South London & Maudsley NHS Foundation Trusts. In June 2017, the King's Sierra Leone Partnership published a five-year review detailing KHP's work on strengthening the health system in Sierra Leone. Its team was an integral part of the response to the Ebola outbreak in 2014.

Another example of our commitment beyond what is expected is the King's Maths School (KMS), founded in September 2014 to provide highly motivated students aged 16–19 with high-quality mathematics education in the heart of London. The second cohort graduated in summer 2017 and attained excellent results: 58% of all entries received A* grades, 88% A*/A and 99% A*/A/B. Each student has on average achieved more than a whole grade better than their

GCSE grade predictions, and this is likely to place KMS as one of the top schools in terms of 'value-added'.

Porosity to new ideas, innovations and individuals is a key part of the social contract that King's holds with society. Examples include the Policy Institute at King's, which brings excellent research, policy-making and practice closer together to help tackle important societal issues. Projects cover a wide range of topics, including integration within communities, women's leadership and Anglo-French defence co-operation. Over the past five years, the university's cultural strategy has established King's as a global leader in cultural engagement, inspiring similar models at universities across the world. Specialist culture teams facilitate partnerships that connect faculties and students with artists and cultural organisations across research, education and service.

King's has a thriving and successful entrepreneurial community. The Entrepreneurship Institute is the university's dedicated entrepreneurship hub offering opportunities for students, staff and alumni throughout their careers and start-up journeys. The institute launched 20 new start-ups in October 2016 as part of its Accelerator programme, which provides workshops, guidance from world-class mentors, business resources and work space to support new King's ventures.

The Science 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 2018. 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.

King's students and staff have developed a number of service-led programmes, including:

- a project delivering enquiry-led philosophy classes in a London prison, started in 2016 by a philosophy research student, fully supported by the department
- the dental health charity Alliance for a Cavity-Free Future, based within King's Dental Institute, aiming to stop the initiation and progression of an early form of cavity, with the ultimate goal of eliminating cavities for people of all ages
- the Sanctuary Programme, King's collective response to one of today's greatest global challenges – the 60 million refugees fleeing conflict; the programme involves major initiatives for online learning, delivering new ways for refugee communities to access higher education, and volunteer language exchanges and educational opportunities will also provide new avenues for King's students to develop additional skills and cultural competencies

- the Associateship of King's College, a voluntary course for students and staff of all beliefs and backgrounds, focusing on questions of theology, philosophy, religion and ethics in the modern world.

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 benefitted from the education provided by King's in their development as individuals and in their employment prospects
- the beneficiaries from the advancement of research by King's on its own and in conjunction with strategic partners
- society at large, reflected in the university's commitment to service as a strategic priority, and illustrated by the examples given above and many others.

An international community that serves the world

King's has been placed 11th in the Times Higher Education (THE) Most International Universities 2017 Rankings – a rise of nine places on the previous year. The ranking draws largely from the 'international outlook' section of THE rankings, taking into account a university's proportions of international students, international staff and journal publications with at least one international co-author. For the first time it also includes international reputation, asking leading scholars to name the world's best universities for teaching and research in their field.

THE rankings' editor said, 'King's College London is an outstanding performer in the World University Rankings for a number of clear reasons: world-class research and strong teaching, of course, but one major aspect fuelling excellence at King's is a truly international outlook and a big global footprint. London is the world's leading centre for higher education and research, with the highest concentration of world-class universities of any city on the planet, and it

is a powerful magnet for international talent. Many of the world's smartest students and most distinguished researchers are choosing to build their careers in London – and King's is a major player at heart of this ecosystem. Indeed, it is King's powerful global profile and its commitment to internationalisation that persuaded Times Higher Education to choose King's, and London, as the host of its fourth annual World Academic Summit, after successful meetings in Singapore, Melbourne and Berkeley, California.'

The financial year 2016–17 marked the halfway point in King's five-year international strategy to 2020, which 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.

This international strategy has prioritised international engagement through partnership, and King's now has strategic partnerships with leading universities across Europe, in the United States and Canada, China and Hong Kong, Singapore, Brazil and India. King's is also actively engaged with African universities in several areas, including leadership and global health. These partnerships with world-class institutions enrich the students' experiences, increase the global impact of King's research and reach new international communities. King's and Technische Universität Dresden's Transcampus, for example, combines research strengths in biomedicine and creates an academic platform for student mobility, including a £4.5m joint PhD programme and a summer school in Technology Transfer in Life Sciences. In addition to this joint PhD, over 30 joint programmes are run with Hong Kong University, the National University of Singapore, Humboldt University and the University of São Paulo.

Over 40% of King's academics come from outside the UK, and over 10,000 students from across the globe choose to study at the university every year. King's offers some of the world's most innovative international courses and curricula and is encouraging an increasing number of students to study or work abroad as part of their degree, which is creating a cadre of engaged, global citizens ready to work in an interconnected world. It is a fundamental aim of King's international strategy that every student – no matter their socio-economic background, discipline or academic level – should experience some form of outward mobility to enhance their period of study. This should be a transformative experience that increases employability and ensures King's

students have the skills to navigate an increasingly connected global environment. In 2016–17 the university expanded its Global Internships Programme fivefold and won a new £550,000 Erasmus+ International Credit Mobility grant for additional staff and student mobility to Russia, Israel, Kenya and South Africa.

About 19%/£34.1m of research grants and contracts awarded to King's in 2016–17 were from overseas funders.

In July 2017 NIHR awarded King's £7m to establish the NIHR Global Health Research Unit on Health System Strengthening in Sub-Saharan Africa. This unit will be interdisciplinary, involving 28 researchers from across King's with its partner institutions: Addis Ababa University (Ethiopia); King's Sierra Leone Partnership (Sierra Leone); University of Cape Town, University of Cape Town Lung Institute and University of KwaZulu Natal (South Africa); and the University of Zimbabwe (Zimbabwe). It will bring together surgeons, obstetricians, midwives, psychiatrists, public health dentists, palliative care and general healthcare specialists to work with social scientists, health economists, information technologists and implementation scientists to find practical and equitable ways to improve the coverage and quality of care. The focus will be on surgical care, maternal care and integrated primary healthcare for chronic diseases in Ethiopia, Sierra Leone, South Africa and Zimbabwe.

In the same month, King's was awarded a further £7m to build research capacity and capability for the health sector in countries in the Middle East and North Africa (MENA) region impacted by conflict. The focus of Research for Health in Conflict will be on Jordan, Lebanon, Palestine and Turkey, but it aims to develop wider regional and global partnerships. The programme will build sustainable research capacity in the MENA region in four specific areas: conflict and health; the political economy of health in conflict; cancer; and mental health research in regions of conflict. By linking together partners across government, academia and non-governmental organisations, it will translate research into policy and critically inform the development of affordable and equitable models of care in complex, non-communicable diseases across the MENA and other regions affected by war.

In 2016–17 King's launched the first two projects to be supported by Strategic Partnerships for Higher Education Innovation and Reform, a new initiative funded by the Department for International Development and managed by the British Council, Universities UK and PricewaterhouseCoopers. The projects are partnership-led and bring together knowledge and expertise from King's as well as organisations from the UK, Germany, Jordan, Lebanon, Somaliland and Zambia. Both began delivering their work in early 2017 and each will run for up to five years.

The Partnership for Digital Learning and Increased Access aims to support young, displaced Syrians seeking

access to higher education and, in the future, to help rebuild post-conflict Syria. The second project, Prepared for Practice, seeks to address Somaliland's health workforce crisis. For the Syrian project, the partners are FutureLearn in the UK, Kiron Open Higher Education in Germany, Al al-Bayt University in Jordan and the American University of Beirut in Lebanon. The Prepared for Practice project partners are Amoud University, Edna Aden University and Teaching Hospital and the University of Hargeisa (all in Somaliland), the online education platform MedicineAfrica and the Tropical Health and Education Trust in Zambia.

In June 2017 King's signed an agreement with the Teachers College, Columbia University, moving a step closer to establishing a joint Centre for Innovation in Teacher Development. In addition to collaborative research and knowledge-exchange activities, King's and the Teachers College will offer innovative blended education programmes in teacher development with a focus on equity and social justice, civic education and the preparation of teacher-educators.

Following successful PLoS Alliance symposia in Sydney and Arizona in 2016, King's hosted a third symposium in London in April 2017. Over the course of two days, more than 90 delegates from the partners (Arizona State University, King's and the University of New South Wales) gathered to advance research projects on the alliance's key global themes of health, social justice, sustainability, technology and innovation to their next stage of development.

A civic university at the heart of London

King's not only benefits from being based in London – one of the world's most dynamic and international cities, with links to great institutions from all sectors, industries and professions – it also makes a significant contribution to London's success. King's Strategic Vision sets out five priorities, including the ambition to be a civic university at the heart of London. King's London strategic framework was launched in 2017. Developed in collaboration with our communities, it is underpinned by three key objectives:

- to strengthen our connections with London's businesses, policy-makers, agencies and institutions
- to deepen our relationships in our home boroughs
- to collaborate with London's higher education institutions to address those challenges that won't be solved through working alone.

Connectivity with London is not an end in itself, but an effective way of delivering the ambitions King's has set itself on the road to 2029. For King's students, the aim is to draw London into the educational experience, helping them develop the values and experiences that will equip them to become the change-makers of tomorrow. For King's researchers, working with and in London will ensure that the

knowledge generated within the university is informed by, and adds value to, the city around us, and that our deep local partnerships contribute to research with transnational impact. London has the potential to bring the university's commitment to service to life, helping communities across London develop skills, capacity and talent while supporting King's students to serve as they learn and learn while they serve.

There are many examples already in place of London connectivity that supports King's ambitions. A university-wide network and a small central office have been established to surface, co-ordinate and communicate King's work with, and in, London. Education, research and service partnerships include the following.

- King's Commission on London will deliver policy recommendations for London's long-term success and is chaired by former cabinet minister and visiting professor at King's Policy Institute, Lord Adonis.
- The London Air Quality Network brings together King's expertise with the Greater London Authority, Transport for London and other universities to explore the health impact of air pollution in London – a key priority for the Mayor of London.
- The Faculty of Social Science & Public Policy has contributed to the London Age-friendly Cities research project as one of 33 projects in the World Health Organisation's global initiative.
- A partnership with LGC Ltd (a company providing analytical laboratories) to deliver services to the Metropolitan Police Service will help deliver solutions to forensic challenges faced by investigators. The partnership sets a new course for forensics in the UK by adopting a research-led approach through the innovative science programme at King's Forensics and LGC laboratories. King's Forensics has worked closely with the Metropolitan Police Service for over 15 years, including recent work on ivory fingerprinting.
- Founded in July 2015, the King's Scholars Scheme works with under-represented Year 7–9 pupils from 13 local schools in Lambeth, Southwark and Westminster, aiming to send them to highly selective universities. Around 300 pupils are selected from each school year, all above the expected standard in reading and maths, and all either eligible for the pupil premium or living in an Acorn 4 or 5 postcode (one of the least advantaged areas in the UK).
- In August 2016, the Lambeth and Southwark Children and Young People's Health Partnership was launched. 190,000 children and young people in the London boroughs of Lambeth and Southwark are seeing their local health services transformed by an innovative-change programme funded by Guy's and St Thomas' Charity and delivered in partnership with King's. This ambitious programme – one of the biggest of its kind in Europe – brings together organisations and families to improve everyday healthcare and care for long-term conditions for the youngest in the two boroughs. It improves the health of children, for example by shaping services so that those who need care the most can get the best services possible. The charity has committed £6.7m over four years and has released almost £2.8m for the first stage of implementation.
- As mentioned above, King's Maths School (KMS) was founded in September 2014 to provide highly motivated students aged 16–19 with high-quality mathematics education in the heart of London. The second cohort graduated in summer 2017 and attained excellent results: 58% of all entries received A* grades, 88% A*/A and 99% A*/A/B. Each student has on average achieved more than a whole grade better than their GCSE grade predictions, and this is likely to place KMS as one of the top schools in terms of 'value-added'.
- The King's Smile Society is a not-for-profit charitable organisation run by dental students to improve knowledge of good dental health in the local community through volunteering in oral-health workshops. It runs interactive events for children in key stages 1–3 (ages 5–14) and plans to provide advice sessions for older students, educating them on good oral health and disease prevention.

These are just some of the partnerships with London from across the university that contribute to a distinctive King's experience, benefit the capital and place the university at London's heart. There are many more examples in the 'London Stories' recently published at blogs.kcl.ac.uk. They offer a snapshot of the many ways in which that aspiration runs through everything we do. King's aspires to be of, and not just in, this great city in which we make our home.

Financial highlights

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. Additionally, King's conducts activities in Sierra Leone through King's Sierra Leone Partnership, an international non-governmental organisation.

Results

	2016-17	2015-16
	£000	£000
Total income	778,150	738,286
Expenditure	764,108	714,886
Surplus before other gains and losses	14,042	23,400
Gain on disposal of fixed assets	–	37,895
Gain on investments	14,309	10,900
Taxation	–	206
Surplus for the year	28,351	71,989
Actuarial loss in respect of pension schemes	(4,301)	(11,605)
Total comprehensive income for the year	24,050	60,384

The surplus before other gains and losses for the year was £14m (2015-16 £23.4m). The tight operating margins reflect that the university is in the investment phase of its current growth plans, the benefits of which will flow through in future years. Increasing operating cash surpluses is a crucial component of the forward financial strategy both for risk management and for investment in King's ambitious academic plans to advance Vision 2029.

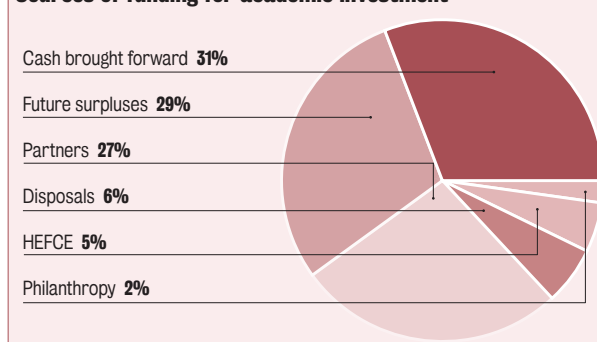
Capital investment

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. King's capital plan identifies some £751m of investment in projects currently underway or planned over the period to 2022. The delivery of King's Vision 2029 requires a number academic initiatives and investments which are supported by a financial strategy to deliver ambitious and sustainable operating surpluses for investment.

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. No project proceeds unless full funding is in place.

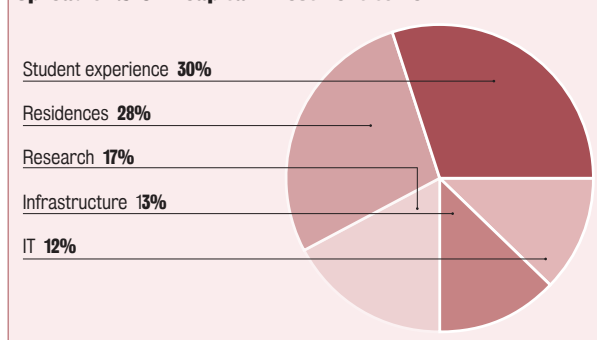
The sources of funding are expected to be:

Sources of funding for academic investment



Our investments are allocated according to academic priorities.

Spread of £751m capital investment to 2022



King's invested £116.7m during the year:

	2016-17
	Investments
	£m
Student facilities	54.4
Infrastructure	36.6
Research	25.7
	116.7

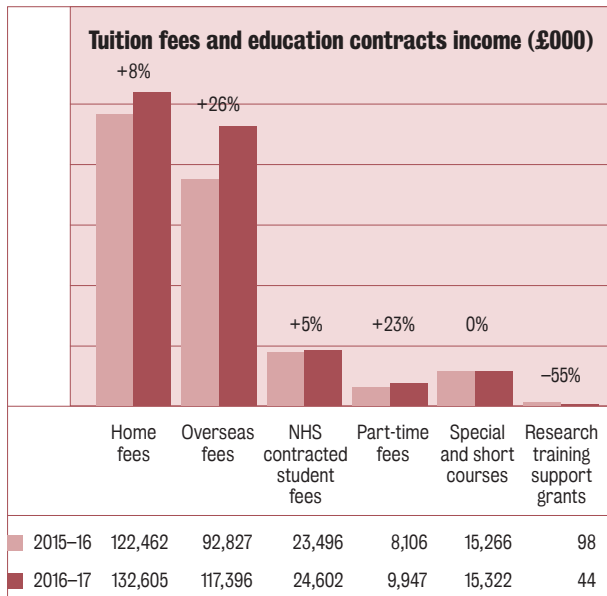
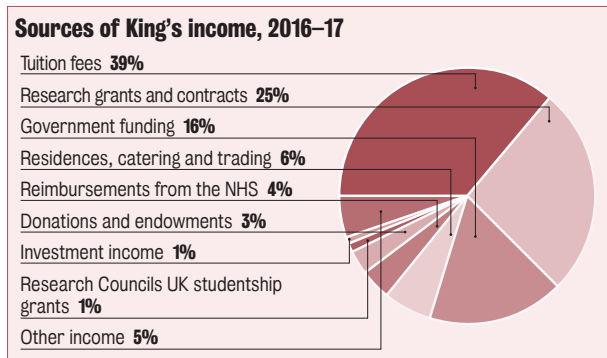
The largest investments during the year were:

Bush House – a major redevelopment to accommodate planned growth in business, social sciences and informatics and to release existing poor estate for disposal	£45.2m
Borough High Street – property development	£8.7m
Science Gallery – part of a larger public engagement scheme	£7.8m
Next Generation Finance, Payroll and HR system, Stage 1	£4.7m
Equipment for the Maurice Wohl Clinical Neuroscience Institute at Denmark Hill	£4.3m
Laboratories in the Franklin Wilkins Building	£2.6m
Positron emission tomography imaging centre	£2.2m

The Bush House Centre Block and the phased moves for the King’s Business School and Informatics were completed in 2017 and were ready for the 2017–18 year. Facilities include a 400-seat auditorium, two Harvard-style lecture theatres and comprehensive computing facilities, including a trading laboratory. The two further wings will be completed in the first half of 2018 and will house the Students’ Union, student services and careers, a medical centre and the School of Political Economy.

Income

Tuition fees are the largest source of income and comprised 39% of total university income for the year. This reflects strategic decisions by the university to grow both home and international student numbers in subjects where there is strong demand from suitably qualified students.

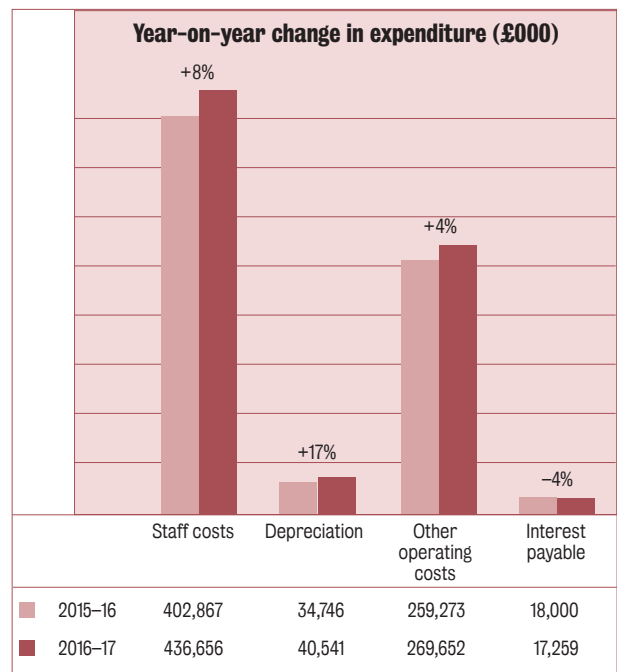
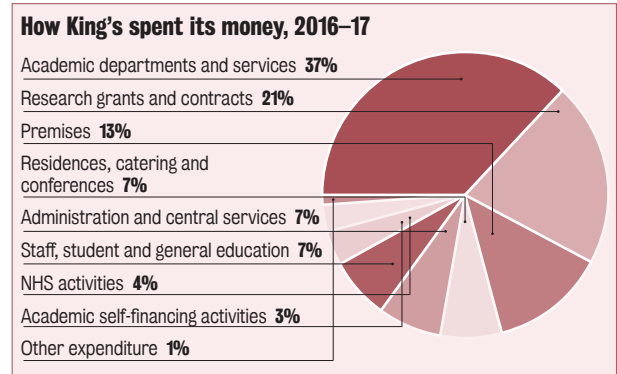


Fund-raising

King’s Fund-raising & Supporter Development raises funds for the university and for KHP. Campaign III is continuing to develop in preparation for a public launch in 2018. Following a period of internal and external testing, an initial portfolio of fund-raising projects has been agreed.

At the end of 2016–17, total income raised was £24.7m, with £8.1m attributable to the university and £16.6m to KHP. King’s is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big.

Expenditure



Staff costs rose by 8%/£33.8m year on year. About £14.5m related to staff recruitment and around £3m to growth in research activity. The underlying pay bill increased by 4–5%/£19m, including the impact of sector-level agreements on pension costs, annual pay settlement and London weighting, together with four months of the new apprenticeship levy. The increase also included performance recognition and reward.

Average staff numbers (full-time equivalent)	2016-17	2015-16
Academic/clinical (including staff on research grants)	3,736	3,601
Administrative and related staff	1,114	989
Technical	340	339
Clerical	1,243	1,149
Other	157	137
Total	6,590	6,215

Endowment asset investments

The endowment investments increased during the year from £194.1m to £213.5m. The £19.4m increase reflects the receipt of £4.3m of new endowments, net income of £0.8m and £14.3m capital growth over the year. Total income on endowments was £4.8m. Performance measured by total return over the year was slightly under benchmark.

Performance for the year to 31 July 2017

Actual performance	+10.4%
Policy benchmark	+11.0%
Value added	(0.6)%

King's is in the process of making a transition to total return and has the following asset allocation policy targets:

Asset allocation	%
Global equity	64
Emerging markets equity	8
Private investments	8
Property	10
Inflation-linked bonds	5
UK gilts and cash	5

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 to maintain the real-terms value of the endowment over time. King's switched to a total return from 1 August 2017.

Treasury management

The university manages day-to-day cash flow through its principal bankers, Royal Bank of Scotland. 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 placed in two money market funds run by Royal London Asset Management (RLAM). Up to £50m is placed in the RLAM Cash Plus Fund, and an unlimited amount may be placed in the RLAM Short-Term Money Market Fund.

Long-term loans

External borrowings

	Total £000	< 1 year £000	> 1 year £000
Finance leases	14,934	1,642	13,292
Loans	293,936	4,445	289,491
Total borrowings 2016-17	308,870	6,087	302,783
Total borrowings 2015-16	310,342	5,864	304,478

	31 July 2017	31 July 2016	Limit
External borrowings as a % of income	39.7%	42.0%	50%
External borrowings to total reserves	33.4%	34.5%	100%

The university's financial strategy sets internal borrowing limits based on percentage of income and gearing, and the current position is within target.

The ratio of liquid assets to annual expenditure (excluding depreciation) was 124 days compared with a target of 90 days; the ratio is somewhat lower than the previous year largely due to timing, as the planned capital investment programme – particularly in respect of Bush House – picks up pace.

Net cash	31 July 2017 £000	31 July 2016 £000	Change £000
Cash and cash equivalents	246,258	310,512	(64,254)
Borrowings less term deposits for loan repayment	301,387	303,936	2,549
(Borrowings)/net cash	(55,129)	6,576	(61,705)

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 triennial revaluation of the pension scheme is currently taking place, with valuation assumptions consulted upon and agreed in September 2017. The implications for employer and employees are being considered.

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.

Prospects and planning outlook

The broader economic, funding and regulatory outlook for the next few years looks increasingly uncertain and may present challenging headwinds that necessitate adaptation to our planning. How the negotiations in relation to the UK's withdrawal from the EU and formation of a new strategic relationship play out, in particular, will have an important bearing on the future performance of the sector and the university.

The economic background for the next few years is looking mixed. A generally weaker sterling makes the prospect of living and studying in London more affordable for international students funded by local currency. It is also worth noting that periods of recession have been linked to increases in the number of applications for postgraduate study, as individuals seek to improve their employability prospects by investing in further education. Against these trends, rising inflation and the potential link to rising employment costs put pressure on the expenditure base. Office for Budget Responsibility forecasts indicate RPI at an average of 3.3% between 2017–18 and 2020–21. For the higher education sector, rising inflation will put additional pressure on employment costs against a background of a number of years of minimal pay increases. There is also likely to be extra pay pressure related to pension funding.

The Office for National Statistics forecasts a 10% decline in the number of 18–20-year-olds between 2014 and 2021, followed by an increase of 19% between 2021 and 2030. This implies that the total pool of possible applicants will decrease up to 2021 before increasing year on year. A similar demographic trend is forecast for a number of key overseas

markets for British universities: namely China, Malaysia and the United States.

The continuing negotiations around the withdrawal of the UK from the EU will, at best, adversely affect the perception of the UK as being welcoming to both staff and students. At worst, changes to work and study visas will limit the ability to recruit and retain the best staff and students, irrespective of their country of origin. There is also uncertainty about whether, during a two-year implementation period, new starter EU students will continue to have access to home fee levels and student loans.

The planning environment is set to be challenging over the next few years, with uncertainty about government funding policies in respect of tuition fees, and student finance in particular. The prospect of a relationship between the National Student Survey and fee increases has already led to a boycott of the survey that will impact the league table positioning for a number of institutions, including King's, in the coming years. Going forward, a major review of higher education funding and student finance will get underway in 2017–18; but, for now, fee rises linked to inflation for home undergraduates have been discontinued, pending the outcome of the review. Whatever the terms of reference and the outcome, it will be fundamental that the resources available to maintain world-class, research-informed teaching are not diminished.

The funding of nursing and midwifery programmes changed in 2017–18, with students moving to a full-fee basis, supported by access to student loans. This has had a significant impact on the number of applications, even for programmes such as postgraduate diplomas, where the fee regime remains unaltered, for now. Together with potential changes to the status of students from the EU, these new arrangements could have a significant impact on the availability of suitably qualified healthcare professionals across the UK in future years.

King's is in a position of relative strength to meet these challenges. In response to potential Brexit issues, the university 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, although to date it appears to be another strong admissions cycle and, specifically, applications from EU students have increased year on year. In terms of King's ability to recruit and retain the best faculty, a package of support has been put in place for staff affected by uncertainties around working in the UK. The university is also reviewing its research portfolio, where some 8.5% of new and renewed awards were from EU sources in 2016–17.

King's programmes are in high demand: for the 2016–17 academic year there were some 82,800 applications

for around 13,000 places, and targets were met without compromising quality. Applications for the 2017–18 year are equally strong, increasing to around 85,700. There is particular demand for a suite of new programmes launched by King’s Business School, with further offerings in the pipeline in business, science, technology and engineering. King’s Online, which delivers distance- and blended-learning courses, continues to grow in line with plan. The university is also reviewing options for delivering degree apprenticeship training in selected areas of strength.

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.

The university benefits from and leverages its prestigious central London location, which remains attractive to both international students and staff. King’s London Engagement Framework continues to capitalise and further develop its ‘service to society’ track record, with a particular emphasis on the university’s home boroughs. It connects 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.

King’s international outlook is a major strength which was recognised in the Times Higher Education Most International Universities 2017 Rankings, which placed King’s 11th – a rise of nine places.

Part of King’s international strategy is the PLuS Alliance, which combines the strengths of three leading universities – Arizona State University, King’s and the University of New South Wales – to find research-led solutions, expand access to world-class learning, make tangible differences to world issues and contribute to a more just and sustainable future. Over 120 key researchers from each institution are dedicated to working together across borders as PLuS Alliance fellows, in pursuit of excellence across four flagship global themes: health, social justice, sustainability, technology and innovation. Eleven seed-funded joint research projects are underway across the PLuS partners. The PLuS Alliance also gives access to world-class online education programmes, offering some students the opportunity to take a PLuS shared module from one of the other partner institutions.

To support its 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 people. 2018 will see the launch of King’s new fund-raising campaign, building upon the successes of ‘World questions | King’s *answers*’.

Finally, in terms of planning, King’s regularly monitors and models its financial sustainability against a range of variables, and there are suitable mitigation plans developed for implementation should the need arise. Increasing operating cash surpluses is crucial for both risk management and for the university’s forward investment plans.

Conclusions

Against a background of uncertain government policy it 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 and, in particular, new programme offerings. It is important that as the university grows it maintains quality and improves the student experience, and we continue to focus on delivering highly employable, capable graduates.

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 five 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, Senior Vice-Presidents and Provosts, Vice-Principals 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 2017 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 2017 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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of King's College London ('the University') for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Statement of Cash Flows and related notes, including the Statement of Principal Accounting Policies.

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 2017, and of the Group's and the 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 UK accounting standards, including FRS102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016–17 financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a

period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Operating and Financial Review, Corporate Governance Statement and Statement of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Council responsibilities

As explained more fully in their statement set out on page 20, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other legal and regulatory requirements

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or 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; and
- 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.

The purpose of our audit work and to whom we owe our responsibilities

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

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

28 November 2017

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.

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2017

	Note	Consolidated		University	
		2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Income					
Tuition fees and education contracts	1	299,916	262,255	299,916	262,255
Funding body grants	2	122,996	125,015	122,996	125,015
Research grants and contracts	3	192,563	193,182	192,563	193,182
Other income	4	133,251	130,967	133,329	131,038
Investment income	5	6,330	6,694	6,314	6,648
Total income before donations and endowments		<u>755,056</u>	<u>718,113</u>	<u>755,118</u>	<u>718,138</u>
Donations and endowments	6	23,094	20,173	23,127	20,279
Total income		<u>778,150</u>	<u>738,286</u>	<u>778,245</u>	<u>738,417</u>
Expenditure					
Staff costs	7	436,656	402,867	434,227	402,867
Other operating expenses		269,652	259,273	272,232	259,394
Depreciation	12	40,541	34,746	40,462	34,681
Interest and other finance costs	9	17,259	18,000	17,259	18,000
Total expenditure	10	<u>764,108</u>	<u>714,886</u>	<u>764,180</u>	<u>714,942</u>
Surplus before other gains and losses		14,042	23,400	14,065	23,475
Gain on disposal of fixed assets		–	37,895	–	37,895
Gain on investments	23	14,309	10,900	14,309	10,900
Surplus before tax		<u>28,351</u>	<u>72,195</u>	<u>28,374</u>	<u>72,270</u>
Taxation	11	–	206	–	206
Surplus for the year		<u>28,351</u>	<u>71,989</u>	<u>28,374</u>	<u>72,064</u>
Actuarial loss in respect of pension schemes	20	(4,301)	(11,605)	(4,301)	(11,605)
Total comprehensive income for the year		<u>24,050</u>	<u>60,384</u>	<u>24,073</u>	<u>60,459</u>
Represented by:					
Endowment comprehensive income for the year	23	19,410	14,711	19,410	14,711
Restricted comprehensive income for the year	22	(1,978)	(17,804)	(1,978)	(17,804)
Unrestricted comprehensive income for the year	24	6,618	63,477	6,641	63,552
		<u>24,050</u>	<u>60,384</u>	<u>24,073</u>	<u>60,459</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 44 form part of the financial statements.

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2017

Consolidated	Income and expenditure account			
	Endowment £000	Restricted £000	Unrestricted £000	Total £000
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	14,711	(17,804)	63,477	60,384
Balance at 1 August 2016	194,084	10,617	695,137	899,838
Surplus for the year	19,410	17,509	(8,568)	28,351
Other comprehensive income	–	–	(4,301)	(4,301)
Release of restricted capital funds spent in year	–	(19,487)	19,487	–
Total comprehensive income for the year	19,410	(1,978)	6,618	24,050
Balance at 31 July 2017	213,494	8,639	701,755	923,888

University	Income and expenditure account			
	Endowment £000	Restricted £000	Unrestricted £000	Total £000
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	14,711	(17,804)	63,552	60,459
Balance at 1 August 2016	194,084	10,617	697,446	902,147
Surplus for the year	19,410	17,509	(8,545)	28,374
Other comprehensive income	–	–	(4,301)	(4,301)
Release of restricted capital funds spent in year	–	(19,487)	19,487	–
Total comprehensive income for the year	19,410	(1,978)	6,641	24,073
Balance at 31 July 2017	213,494	8,639	704,087	926,220

The notes on pages 30 to 44 form part of the financial statements.

Consolidated and University Balance Sheet

As at 31 July 2017

		Consolidated		University	
	<i>Note</i>	2017	2016	2017	2016
		£000	£000	£000	£000
Non-current assets					
Tangible assets	12	972,137	895,990	974,179	897,998
Investments	14	40,136	40,593	40,136	40,593
Endowment investments	15	213,494	194,084	213,494	194,084
		<u>1,225,767</u>	<u>1,130,667</u>	<u>1,227,809</u>	<u>1,132,675</u>
Current assets					
Trade and other debtors	16	104,825	86,992	105,513	97,986
Cash and cash equivalents		246,258	310,512	244,745	299,318
		<u>351,083</u>	<u>397,504</u>	<u>350,258</u>	<u>397,304</u>
Less: Creditors: amounts falling due within one year	17	(256,200)	(227,957)	(255,085)	(227,456)
Net current assets		<u>94,883</u>	<u>169,547</u>	<u>95,173</u>	<u>169,848</u>
Total assets less current liabilities		<u>1,320,650</u>	<u>1,300,214</u>	<u>1,322,982</u>	<u>1,302,523</u>
Creditors: amounts falling due after more than one year	18	(316,860)	(320,072)	(316,860)	(320,072)
Provisions					
Pension provisions	20	(75,249)	(75,651)	(75,249)	(75,651)
Other provisions	21	(4,653)	(4,653)	(4,653)	(4,653)
Total net assets		<u>923,888</u>	<u>899,838</u>	<u>926,220</u>	<u>902,147</u>
Restricted reserves					
Income and expenditure reserve – endowment reserve	23	213,494	194,084	213,494	194,084
Income and expenditure reserve – restricted reserve	22	8,639	10,617	8,639	10,617
Unrestricted reserves					
Income and expenditure reserve – unrestricted	24	701,755	695,137	704,087	697,446
Total reserves		<u>923,888</u>	<u>899,838</u>	<u>926,220</u>	<u>902,147</u>

The financial statements on pages 23 to 44 were approved by the Council on 28 November 2017 and signed on its behalf by:

The Rt Hon the Lord Geidt
Chairman of Council

Professor Edward Byrne
President & Principal

Mr Michael D'Souza
Treasurer

Consolidated Statement of Cash Flows

For the year ended 31 July 2017

	<i>Note</i>	2016-17 £000	2015-16 £000
Cash flow from operating activities			
Surplus for the year		28,351	71,989
Adjustment for non-cash items			
Depreciation	12	40,541	34,746
Gain on investments	15	(14,309)	(10,900)
(Increase)/decrease in debtors		(17,833)	2,737
Increase/(decrease) in creditors		28,033	(222)
Decrease in lease premium on development property		(440)	–
Write down in value of investments		800	–
Decrease in pension provisions	20	(6,034)	(2,580)
Adjustment for investing or financing activities			
Investment income	5	(6,330)	(6,694)
Interest payable	9	17,259	18,000
Endowment income	6	(4,347)	(2,820)
Profit on sale of fixed assets		–	(37,895)
Capital grant income		(17,509)	(17,790)
Net cash inflow from operating activities		<u>48,182</u>	<u>48,571</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		–	49,074
Proceeds from sale of investments		75,708	1,789
Capital grants receipts		17,509	17,790
Investment income	5	6,330	6,694
Payments made to acquire fixed assets	12	(116,688)	(88,389)
New non-current asset investments	14	(343)	(6,376)
New non-current endowment asset investments	15	(65,008)	(3,000)
Endowment asset investments increase in cash balances	15	(15,801)	(2,600)
		<u>(98,293)</u>	<u>(25,018)</u>
Cash flows from financing activities			
Interest paid		(11,550)	(11,650)
Interest element of finance lease payments		(1,643)	(1,644)
Endowment cash received	6	4,347	2,820
Repayments of amounts borrowed		(4,219)	(4,003)
Capital element of finance lease payments		(1,078)	(944)
		<u>(14,143)</u>	<u>(15,421)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(64,254)</u>	<u>8,132</u>
Cash and cash equivalents at beginning of the year	26	310,512	302,380
Cash and cash equivalents at end of the year	26	246,258	310,512
(Decrease)/increase in cash and cash equivalents in the year	26	<u>(64,254)</u>	<u>8,132</u>

The notes on pages 30 to 44 form part of the financial statements.

Notes to the accounts

For the year ended 31 July 2017

1. TUITION FEES AND EDUCATION CONTRACTS

	Consolidated and University	
	2016-17 £000	2015-16 £000
Full-time students charged home fees	132,605	122,462
Full-time students charged overseas fees	117,396	92,827
NHS contracted student fees	24,602	23,496
Part-time fees	9,947	8,106
Special and short course fees	15,322	15,266
Research training support grants	44	98
	<u>299,916</u>	<u>262,255</u>

2. FUNDING BODY GRANTS

	Consolidated and University	
	2016-17 £000	2015-16 £000
Higher Education Funding Council recurrent grant	104,301	105,196
Higher Education Funding Council specific grants	3,696	4,679
Higher Education Funding Council capital grants	14,999	15,140
Total funding body grants	<u>122,996</u>	<u>125,015</u>

3. RESEARCH GRANTS AND CONTRACTS

	Consolidated and University	
	2016-17 £000	2015-16 £000
Research Councils	42,451	42,173
Research & Development Expenditure Credit Scheme	–	2,379
UK central government, local authorities, health and hospital authorities	36,166	37,014
UK industry, commerce and public corporations	15,903	16,240
UK charitable bodies	53,166	47,855
EU government and other bodies	26,717	28,929
Overseas non EU	16,904	16,914
Other	1,256	1,678
	<u>192,563</u>	<u>193,182</u>

4. OTHER INCOME

	Consolidated		University	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Academic departments costs reimbursed by NHS	14,178	14,333	14,178	14,333
Clinical excellence awards reimbursed by NHS	7,204	7,262	7,204	7,262
Residences, catering and conferences	49,976	44,012	49,976	44,012
Services rendered to NHS and related bodies	8,787	8,804	8,787	8,804
Self-financing activities	20,445	32,546	20,445	32,546
Research Councils studentship grants	8,504	6,473	8,504	6,473
Other income	24,157	17,537	24,235	17,608
	<u>133,251</u>	<u>130,967</u>	<u>133,329</u>	<u>131,038</u>

Notes to the accounts *continued*

For the year ended 31 July 2017

5. INVESTMENT INCOME

	Consolidated		University	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Income on restricted permanent endowments (<i>note 23</i>)	4,050	4,212	4,050	4,212
Income on restricted expendable endowments (<i>note 23</i>)	780	805	780	805
Other interest receivable	1,500	1,677	1,484	1,631
	<u>6,330</u>	<u>6,694</u>	<u>6,314</u>	<u>6,648</u>

6. DONATIONS AND ENDOWMENTS

	Consolidated		University	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Capital grants	2,510	2,087	2,510	2,087
New endowments (<i>note 23</i>)	4,347	2,820	4,347	2,820
Donations with restrictions	8,172	8,951	8,172	8,951
Unrestricted donations	8,065	6,315	8,098	6,421
	<u>23,094</u>	<u>20,173</u>	<u>23,127</u>	<u>20,279</u>

7. STAFF

	Consolidated		University	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Staff costs:				
Wages and salaries	330,520	303,786	328,421	302,846
Redundancy payments	1,662	1,555	1,662	1,555
Social security costs	33,508	27,534	33,315	27,524
Other pensions costs (<i>note 27</i>)	44,212	40,954	44,096	40,912
Permanently employed	<u>409,902</u>	<u>373,829</u>	<u>407,494</u>	<u>372,837</u>
Agency and contract staff costs	26,754	29,038	26,733	30,030
Total staff costs	<u>436,656</u>	<u>402,867</u>	<u>434,227</u>	<u>402,867</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.

	2016-17 £000	2015-16 £000
Emoluments of the Principal:		
Other emoluments	350	350
Benefits-in-kind	12	11
	<u>362</u>	<u>361</u>
Pension scheme contributions	63	58
Total emoluments of the Principal	<u>425</u>	<u>419</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 2017

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:

	2016-17 Clinical academic	2016-17 Other academic and related	2016-17 Total number	2015-16 Total number
£100,001-£110,000	21	39	60	63
£110,001-£120,000	20	24	44	35
£120,001-£130,000	8	20	28	25
£130,001-£140,000	10	12	22	24
£140,001-£150,000	12	12	24	27
£150,001-£160,000	10	3	13	19
£160,001-£170,000	16	4	20	21
£170,001-£180,000	13	2	15	10
£180,001-£190,000	8	1	9	5
£190,001-£200,000	7	2	9	5
£200,001-£210,000	-	2	2	3
£210,001-£220,000	1	-	1	5
£220,001-£230,000	5	-	5	4
£230,001-£240,000	4	-	4	3
£240,001-£250,000	3	-	3	5
£250,001-£260,000	1	-	1	2
£260,001-£270,000	-	-	-	1
£270,001-£280,000	-	-	-	-
£280,001-£290,000	2	-	2	1
£290,001-£300,000	-	-	-	-
£300,001-£310,000	-	-	-	1
£310,001-£320,000	1	-	1	-

The accounts include one severance payment for a higher-paid employee (including the cost of additional pension benefits purchased by the university) amounting to £80,000 for 2017 (2016 – two, £202,000).

	2016-17 Number	2015-16 Number
Average staff numbers, expressed as full-time equivalents:	3,736	3,601
Academic/clinical, including research contract staff	1,114	989
Administrative and related staff	340	339
Technical	1,243	1,149
Clerical	157	137
Other	6,590	6,215
	2016-17 £000	2015-16 £000
Key management personnel staff costs	1,782	1,646

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 2017***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.

Total expenses were paid of £1,000 to or on behalf of four members (2016 – none) in respect of their Council duties. The university paid no contribution (2016 – £10,000) towards the costs of the Chairman's office.

9. INTEREST AND OTHER FINANCE COSTS

	Consolidated		University	
	2016-17	2015-16	2016-17	2015-16
	£000	£000	£000	£000
Bank and other loans wholly repayable within five years	938	–	938	–
Loans not wholly repayable within five years	13,514	14,562	13,514	14,562
Finance leases	1,476	1,497	1,476	1,497
Net charge on pension schemes	1,331	1,941	1,331	1,941
	17,259	18,000	17,259	18,000

10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2016-17	2015-16	2016-17	2015-16
	£000	£000	£000	£000
Academic departments	233,762	210,312	233,762	210,312
Academic departments costs reimbursed by NHS	14,297	14,611	14,297	14,611
Clinical excellence awards reimbursed by NHS	7,205	7,262	7,205	7,262
Academic services	49,387	46,034	49,308	45,969
Research grants and contracts	163,909	161,834	163,909	161,834
Residences, catering and conferences	52,534	43,845	52,534	43,845
Premises	95,771	91,869	95,785	91,869
Administration and central services	53,962	47,281	53,961	47,275
Staff and student facilities	16,618	14,153	16,618	14,153
General education expenditure	35,823	36,004	35,823	36,004
Services rendered to NHS and related bodies	8,310	8,221	8,310	8,221
Self-financing activities	25,320	20,988	25,320	20,988
Pensions costs	(4,702)	(639)	(4,702)	(639)
Other	11,912	13,111	12,050	13,238
Total per Income and Expenditure Account	764,108	714,886	764,180	714,942

	2016-17	2015-16
	£000	£000
Other operating expenses include:		
External auditors' remuneration in respect of audit services:		
University financial statements	74	87
Subsidiary financial statements	8	9
United States Department of Education	27	33
External auditors' remuneration in respect of non-audit services:		
Consultancy	16	55
Certifications	8	12
Operating lease rentals		
Land and buildings	42,741	41,865
Other	207	281

Notes to the accounts *continued*

For the year ended 31 July 2017

11. TAXATION

	Consolidated and University	
	2016-17	2015-16
	£000	£000
UK corporation tax payable on the profits of subsidiary companies	–	206

The tax charge for the previous year arose 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	Investment property	Total
	Freehold	leasehold						
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 August 2016	434,061	382,511	113,157	116,956	21,733	124,324	–	1,192,742
Additions	–	–	–	8,064	–	108,624	–	116,688
Transfers	(30,007)	62,451	5,155	20,666	–	(83,047)	24,782	–
Disposals	–	(663)	–	(9,908)	–	–	–	(10,571)
At 31 July 2017	404,054	444,299	118,312	135,778	21,733	149,901	24,782	1,298,859
Depreciation								
At 1 August 2016	76,262	93,517	26,574	85,910	14,489	–	–	296,752
Transfers	(506)	368	–	–	–	–	138	–
Charge for year	6,163	8,649	8,112	15,672	1,449	–	496	40,541
Eliminated on disposals	–	(663)	–	(9,908)	–	–	–	(10,571)
At 31 July 2017	81,919	101,871	34,686	91,674	15,938	–	634	326,722
Net book value								
At 31 July 2017	322,135	342,428	83,626	44,104	5,795	149,901	24,148	972,137
At 1 August 2016	357,799	288,994	86,583	31,046	7,244	124,324	–	895,990

University	Land and buildings		Plant	Furniture and equipment	Leased equipment	Assets in the course of construction	Investment property	Total
	Freehold	leasehold						
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 August 2016	435,134	383,478	113,087	116,815	21,733	124,392	–	1,194,639
Additions	–	–	–	7,996	–	108,647	–	116,643
Transfers	(30,007)	62,454	5,180	20,646	–	(83,055)	24,782	–
Disposals	–	(663)	–	(9,908)	–	–	–	(10,571)
At 31 July 2017	405,127	445,269	118,267	135,549	21,733	149,984	24,782	1,300,711
Depreciation								
At 1 August 2016	76,262	93,517	26,529	85,844	14,489	–	–	296,641
Transfers	(506)	368	–	–	–	–	138	–
Charge for year	6,163	8,649	8,090	15,615	1,449	–	496	40,462
Eliminated on disposals	–	(663)	–	(9,908)	–	–	–	(10,571)
At 31 July 2017	81,919	101,871	34,619	91,551	15,938	–	634	326,532
Net book value								
At 31 July 2017	323,208	343,398	83,648	43,998	5,795	149,984	24,148	974,179
At 1 August 2016	358,872	289,961	86,558	30,971	7,244	124,392	–	897,998

Notes to the accounts *continued*

For the year ended 31 July 2017

12. FIXED ASSETS (*continued*)

The total amount of interest included in assets above amounted to £1,740,000 (2016 – £1,740,000). Included within 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 is £62,129,000.

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 2017*

14. INVESTMENTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Francis Crick Institute	39,200	40,000	39,200	40,000
Other fixed asset investments	936	593	936	593
	<u>40,136</u>	<u>40,593</u>	<u>40,136</u>	<u>40,593</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 is a research centre in biomedical science.

15. ENDOWMENT INVESTMENTS

	Consolidated and University	
	2016-17 £000	2015-16 £000
Balance at 1 August	194,084	179,373
Additions	65,008	3,000
Disposals	(75,708)	(1,789)
Appreciation	14,309	10,900
Increase in cash balances	15,801	2,600
Balance at 31 July	<u>213,494</u>	<u>194,084</u>
Fixed interest stocks	8,343	31,773
Equities	164,332	137,293
Bank balances	40,819	25,018
Total endowment investments	<u>213,494</u>	<u>194,084</u>
Fixed interest and equities at cost	<u>141,249</u>	<u>132,555</u>

16. TRADE AND OTHER DEBTORS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	27,053	20,026	27,053	20,026
Other debtors	3,811	11,329	3,803	11,267
Research grant debtors	37,475	28,314	37,475	28,314
Research grant work in progress	24,734	19,714	24,734	19,714
Prepayments and accrued income	11,752	7,609	11,303	7,609
Amounts owed by group undertakings	–	–	1,145	11,056
	<u>104,825</u>	<u>86,992</u>	<u>105,513</u>	<u>97,986</u>

Notes to the accounts *continued*

For the year ended 31 July 2017

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade creditors	41,380	35,966	41,196	33,457
Deferred income	107,178	106,960	106,745	106,960
Other creditors and accruals	81,496	62,983	81,446	62,521
Holiday pay accrual	8,268	7,161	7,836	7,161
Social security and other taxation payable	11,791	9,023	11,584	8,872
Amounts owed to group undertakings	–	–	191	2,621
Obligations under finance leases less term deposits for repayment (<i>note 19</i>)	1,642	1,645	1,642	1,645
Current element of long-term liabilities (<i>note 19</i>)	4,445	4,219	4,445	4,219
	<u>256,200</u>	<u>227,957</u>	<u>255,085</u>	<u>227,456</u>

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

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Research grants received on account	70,363	69,730	70,363	69,730
Other income	23,958	21,800	23,525	21,800
Donations	8,279	11,616	8,279	11,616
Other deposits	4,578	3,814	4,578	3,814
	<u>107,178</u>	<u>106,960</u>	<u>106,745</u>	<u>106,960</u>

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

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Obligations under finance leases (<i>note 19</i>)	13,292	13,457	13,292	13,457
Term deposits for loan repayments	(7,483)	(6,406)	(7,483)	(6,406)
	<u>5,809</u>	<u>7,051</u>	<u>5,809</u>	<u>7,051</u>
Loans (<i>note 19</i>)	289,491	291,021	289,491	291,021
Total long-term borrowings	<u>295,300</u>	<u>298,072</u>	<u>295,300</u>	<u>298,072</u>
Lease premium on development property	21,560	22,000	21,560	22,000
Total long-term creditors	<u>316,860</u>	<u>320,072</u>	<u>316,860</u>	<u>320,072</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.

The lease premium on development property arises from the granting of a lease for a term of 99 years with a yearly peppercorn rent.

The lease has a break clause after 25 years, over which period the lease premium is being released to income.

Notes to the accounts *continued*

For the year ended 31 July 2017

19. BORROWINGS

	Consolidated and University			
	Finance leases		Loans	
	2017 £000	2016 £000	2017 £000	2016 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	1,642	1,645	4,686	4,445
Between two and five years	3,696	4,936	15,658	14,841
Total between one and five years	5,338	6,581	20,344	19,286
Over five years	7,954	6,876	269,147	271,735
Total over one year (<i>note 18</i>)	13,292	13,457	289,491	291,021
Within one year (<i>note 17</i>)	1,642	1,645	4,445	4,219
	14,934	15,102	293,936	295,240

Loans with interest rates between 7.80% and 9.58% amounting to £34,991,000 are repayable by instalments falling due between 1 August 2018 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 2016	72,048	3,603	75,651
Deficit contributions paid during the year	(4,609)	(1,425)	(6,034)
Additional discount rate interest charge for the year	1,297	34	1,331
Additional actuarial loss	4,003	298	4,301
At 31 July 2017	72,739	2,510	75,249

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 2017

21. OTHER PROVISIONS

	Consolidated and University Leasehold dilapidations £000
At 1 August 2016	4,653
Utilised in year	–
Transferred from Income and Expenditure Account during the year	–
At 31 July 2017	<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	2017 Total £000	2016 Total £000
At 1 August	10,617	–	–	10,617	28,421
Cash received	17,509	9,492	7,184	34,185	33,214
Capital grants utilised	(19,487)	–	–	(19,487)	(35,594)
Expenditure	–	(9,492)	(7,184)	(16,676)	(15,424)
	<u>(19,487)</u>	<u>(9,492)</u>	<u>(7,184)</u>	<u>(36,163)</u>	<u>(51,018)</u>
At 31 July	<u>8,639</u>	<u>–</u>	<u>–</u>	<u>8,639</u>	<u>10,617</u>

23. ENDOWMENT RESERVES

	Consolidated and University			
	Restricted permanent £000	Restricted expendable £000	2017 Total £000	2016 Total £000
Capital at 1 August	159,440	23,034	182,474	164,859
Accumulated income at 1 August	6,274	5,336	11,610	14,514
	<u>165,714</u>	<u>28,370</u>	<u>194,084</u>	<u>179,373</u>
New donations and endowments	4,191	156	4,347	2,820
Change in market value of endowment investments	12,617	1,692	14,309	10,900
Investment income	4,050	780	4,830	5,017
Expenditure	(3,080)	(996)	(4,076)	(4,026)
At 31 July	<u>183,492</u>	<u>30,002</u>	<u>213,494</u>	<u>194,084</u>
Represented by:				
Capital	176,837	24,788	201,625	182,474
Accumulated income	6,655	5,214	11,869	11,610
	<u>183,492</u>	<u>30,002</u>	<u>213,494</u>	<u>194,084</u>

Notes to the accounts *continued*

For the year ended 31 July 2017

23. ENDOWMENT RESERVES (*continued*)

	At 1 August 2016 £000	Additions and transfers £000	Change in market value £000	Income £000	Expenditure £000	At 31 July 2017 £000
Funds with income under £100,000						
Scholarships (162 funds)	26,261	214	1,973	605	(354)	28,699
Prize funds (258 funds)	8,353	30	636	193	(40)	9,172
Chairs and lectureships (178 funds)	109,812	4,103	7,912	2,699	(2,962)	121,564
Other funds (68 funds)	13,245	–	1,004	487	(129)	14,607
Funds with income over £100,000						
Dimbleby Endowment Fund	8,494	–	662	201	(236)	9,121
Newland-Pedley General Fund	16,227	–	1,253	381	(170)	17,691
Richard Dickinson USA Fund	5,275	–	381	116	(35)	5,737
Lau China Institute Fund	6,417	–	488	148	(150)	6,903
	<u>194,084</u>	<u>4,347</u>	<u>14,309</u>	<u>4,830</u>	<u>(4,076)</u>	<u>213,494</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 supports academic posts at the Lau China Institute.

24. UNRESTRICTED RESERVES

	Consolidated £000	University £000
Balance at 1 August 2016	695,137	697,446
Surplus after depreciation of assets at cost and tax	(12,869)	(12,846)
Release of restricted capital funds spent in year	19,487	19,487
Balance at 31 July 2017	<u>701,755</u>	<u>704,087</u>
The reserves are:		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	655,277	657,319
Departmental reserves	76,026	76,026
Revenue reserve	(29,548)	(29,258)
General reserves	46,478	46,768
Total income and expenditure reserve	<u>701,755</u>	<u>704,087</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	
	2017 £000	2016 £000
Commitments contracted at 31 July	27,105	33,679
Commitments authorised but not contracted at 31 July	<u>379,168</u>	<u>177,795</u>
	<u>406,273</u>	<u>211,474</u>

Notes to the accounts *continued*

For the year ended 31 July 2017

26. RECONCILIATION OF CASH FLOW TO STATEMENT OF FINANCIAL POSITION

	At 1 August 2016 £000	Cash flows £000	Other changes £000	At 31 July 2017 £000
Cash at bank and in hand	310,512	(64,254)	–	246,258

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	
	2016–17 £000	2015–16 £000	2016–17 £000	2015–16 £000
Contributions to USS	33,676	30,608	33,676	30,608
Contributions to SAUL	6,175	6,008	6,175	6,008
Contributions to NHSPS	4,149	4,185	4,149	4,185
Contributions to other pension schemes	212	153	96	111
Total pensions costs (<i>note 7</i>)	44,212	40,954	44,096	40,912

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. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. 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 attributed 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 wholly 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. Since the university has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the university recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit), and therefore an expense is recognised.

The latest available full triennial actuarial valuation of the scheme was as at 31 March 2014; it was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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:

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.20%

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 2017

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:		2017	2016
	Males (females) currently aged 65	24.4 (26.6) years	24.3 (26.5) years
	Males (females) currently aged 45	26.5 (29.0) years	26.4 (28.8) years
Existing benefits		2017	2016
	Scheme assets	£60,000m	£49,800m
	Total scheme liabilities	£77,500m	£58,300m
	FRS102 total scheme deficit	£17,500m	£8,500m
	FRS102 total funding level	77%	85%

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 £72,739,000 as at 31 July 2017.

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 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.

Notes to the accounts *continued*

For the year ended 31 July 2017

27. PENSIONS (continued)

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 £2,510,000 as at 31 July 2017.

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 & St Thomas', King's College Hospital and South London & 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 Science 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	
	2016-17	2015-16	2016-17	2015-16
	£000	£000	£000	£000
Balance underspent at 1 August	–	2	366	242
Funding Council and Department for Education grants	–	–	3,253	3,415
Disbursed to students	–	(2)	(3,399)	(3,291)
Balance underspent at 31 July	–	–	220	366

Funding Council and Department for Education 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 2017

30. LEASE OBLIGATIONS

Total rentals payable under operating leases:

	Consolidated and University			
	Land and buildings	Other leases	2017 Total	2016 Total
	£000	£000	£000	£000
Payable during the year ended 31 July	44,091	207	44,298	42,146
Future minimum lease payments due:				
Not later than one year	47,573	277	47,850	45,407
Later than one year and not later than five years	129,224	518	129,742	105,824
Later than five years	750,614	90	750,704	739,915
Total lease payments due	927,411	885	928,296	891,146