

Financial Statements

for the year to 31 July 2014

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Chairman's foreword

This has not been an easy year for the university.

We experienced shortfalls in postgraduate student recruitment, resulting in an operating deficit for the year of £2.1m. This was offset by property disposals of £6m, giving an overall surplus for the year of £3.8m. This is a reasonable outcome in the circumstances, although using capital to balance our revenue position is not sustainable. Over the course of the year we have developed plans to raise our income, reduce costs and improve performance across all parts of the university to increase the investment surplus available from operating income over time.

We continued to improve our estates and facilities, investing some £106m during the year. The focus of our investment was in student residences: the redeveloped King's College Hall reopened to students for the start of the new academic year, and we advanced our plans for a new residential development at Canada Water. We continued the rolling programme of upgrading teaching rooms and laboratories as well as further enhancing our research facilities, including contributing towards the new cancer building at Guy's Hospital and imaging facilities at St Thomas' Hospital.

We remain committed to King's Health Partners, which combines basic and translational health research, clinical care and education to create world-leading improvements in healthcare. We are incredibly proud of the King's Sierra Leone Partnership, which is at the heart of the UK government's response to the Ebola outbreak in Sierra Leone.

The 2014 National Student Survey (NSS) showed some improvement following the university's decisive action to upgrade the student experience, resulting in a rise in the overall satisfaction rating to 83%. We continue to focus on improving the satisfaction score in undergraduate medicine and, whilst all our efforts have yet to be recognised in NSS scores, we believe the actions taken and planned will have a positive impact over time.

We have established a partnership with FutureLearn and have launched a series of free Massive Open Online Courses in 'Understanding Drugs and Addiction' and 'Causes of War', building on our academic strengths in psychiatry and war studies. These courses have been extremely popular, further raising the academic profile of the university.

The King's Maths School opened its doors to its initial intake of 68 students in September 2014. The first of its kind, it provides access to high-quality teaching at sixth-form level to improve mathematics education in the state sector and increase the number of young people with high levels

of mathematical attainment. This is an excellent example of King's in service to society.

Our research programmes have performed incredibly well during the year, winning a number of competitive grants and seeing the forward order book increase by 15% to £226m. Increasing research volume and quality is an important part of our future strategy and we are cautiously optimistic that the Research Excellence Framework, which concludes this December, will again confirm the high academic reputation of the university and secure future research funding.

Finally, I am pleased to report that the 'World questions | King's answers' fund-raising campaign has had another successful year, with the £500m target reached ahead of schedule; the campaign total currently stands at £522m. We are very grateful to all our benefactors and supporters who have given so generously.

I conclude my review with thanks to Professor Sir Rick Trainor, who retired at the end of July 2014, for his vision and leadership of the university over the past ten years, and welcome his successor, Professor Ed Byrne, as President and Principal. I look forward to working with him over the next years of King's history.

The Marquess of Douro
Chairman of Council

Council and Council committee membership 2013–14

Council

The Marquess of Douro OBE DL *[Chairman]*
 Professor Sir Richard Trainor KBE FKC *[President & Principal until 31 July 2014]*
 Professor Edward Byrne AC *[President & Principal from 1 August 2014]*
 Dr Claire Craig *[from 1 August 2013]*
 Dr Angela Dean
 Mr Sebastiaan Debrouwere *[from 1 August 2013]*
 The Hon Sir David Foskett FKC
 Rt Revd Christopher Hill
 Professor Brian Holden Reid FKC
 Mr John Kampfner
 Ms Ros King
 Professor Sir Robert Lechler KBE FKC
 Professor Michael Marber *[until 31 July 2014]*
 Baroness Morgan of Huyton *[from 1 August 2013]*
 Mr Chris Mottershead
 Professor Karen O'Brien *[from 1 August 2013]*
 Mr James Ritblat FKC
 Sir Nigel Sheinwald *[from 1 August 2014]*
 Mr Andrew Summers CMG
 Mr Rory Tapner FKC *[Honorary Treasurer]*
 Professor Evelyn Welch *[from 1 August 2013]*
 Veena, Lady Williams of Mostyn *[until 31 July 2014]*
 Professor The Baroness Wolf CBE

Chairman's Committee

The Marquess of Douro OBE DL *[Chairman]*
 Professor Sir Richard Trainor KBE FKC *[President & Principal until 31 July 2014]*
 Professor Edward Byrne AC *[President & Principal from 1 August 2014]*
 Professor Sir Robert Lechler KBE FKC
 Mr Chris Mottershead
 Professor Karen O'Brien *[from 1 August 2013]*
 Mr James Ritblat FKC
 Sir Nigel Sheinwald *[from 1 August 2014]*
 Mr Andrew Summers CMG
 Mr Rory Tapner FKC *[Honorary Treasurer]*
 Professor Evelyn Welch *[from 1 August 2013]*

Finance Committee

Mr Rory Tapner FKC *[Chairman & Honorary Treasurer]*
 Professor Sir Richard Trainor KBE FKC *[President & Principal until 31 July 2014]*

Professor Edward Byrne AC *[President & Principal from 1 August 2014]*
 Mr Tony Collyer
 Mr Ian Creagh FKC
 Dr Angela Dean
 Mr Michael Kier
 Mr Stephen Large
 Mr Richard North
 Mr Michael Urmston
 Professor The Baroness Wolf CBE

Audit and Compliance Committee

Mr Andrew Summers CMG *[Chairman]*
 Professor Susan Brain
 Ms Christy Burzio *[from 1 August 2014]*
 Professor Brian Holden Reid FKC
 Mrs Sarah Hopwood
 Ms Ros King
 Mr Keith Little
 Mr Paul Mitchell
 Ms Angela Pober *[until 31 July 2013]*

Investment Subcommittee

Mr Patrick Disney FKC *[Chairman]*
 Professor Sir Richard Trainor KBE FKC *[President & Principal until 31 July 2014]*
 Professor Edward Byrne AC *[President & Principal from 1 August 2014]*
 Dr Angela Dean
 Mr John Harrison
 Mr Patrick Johns
 Mr Stephen Large
 Mr Mark Laurence
 Mr David Potter FKC

Estates Strategy Committee

Mr James Ritblat FKC *[Chairman]*
 Professor Sir Richard Trainor KBE FKC *[President & Principal until 31 July 2014]*
 Professor Edward Byrne AC *[President & Principal from 1 August 2014]*
 Mr Ian Caldwell *[until 13 June 2014]*
 Mr Ian Creagh FKC
 Mr David Cripps
 Mr Ian Ellis
 Mr John Kampfner
 Mr Stephen Large
 Professor Sir Robert Lechler KBE FKC
 Mr Ralph Luck *[from 15 April 2014]*
 Mr Daniel Peltz FKC
 Professor Evelyn Welch *[from 1 August 2013]*

Operating and financial review for the year ended 31 July 2014

Key facts

	2013–14	2012–13
(Deficit)/surplus on ordinary activities	£(2.1)m	£9.6m
Total income	£603.7m	£586.9m
EBITDA % ¹	3.4%	5.2%
Historical cost surplus	£3.8m	£9.6m
Historical cost surplus as a % of income	0.6%	1.6%
Discretionary reserves as a % of income	45.4%	46.4%
External borrowings as a % of income	28.7%	29.8%
Net cash flow from operating activities as a % of income	2.6%	9%
Net liquidity days	76 days	130 days
General funds as a % of expenditure	8.3%	21.1%
Staff numbers, average headcount	5,859	5,664
Staff costs as a % of income	62.4%	59.6%
Student numbers, December headcount	25,469	25,187
Undergraduate student satisfaction ²		
with teaching	88%	86%
with course overall	83%	81%
Postgraduate taught student satisfaction with course overall	84.9%	87.5%
Undergraduate entrants' average entry tariff points (based on best 3 A-levels) ³	2013 357.3	2012 360.5
Student employability ⁴	94.8%	93.7%
Research: new and renewed awards (forward order book)	£226.5m	£197.1m
Fund-raising: new cash and pledges	£14.6m	£32.1m

Operating highlights

The 2010 changes in higher education policy and financing are now fully operational and have resulted in a net decline in funding for King's. Increases in undergraduate tuition fees have been offset by teaching-grant clawbacks and Office for Fair Access (OFFA) widening access commitments; research

¹ EBITDA: earnings before interest, tax, depreciation and amortisation and abnormal items expressed as a proportion of income.

² Percentage of respondents whose experience met or exceeded expectations.

³ Based on unconditional firm UCAS applicants; information one year in arrears.

⁴ UK and EU undergraduates in work or further study six months after completing their course; these indicators are one year in arrears, as 2013–14 data are not available until December 2014.

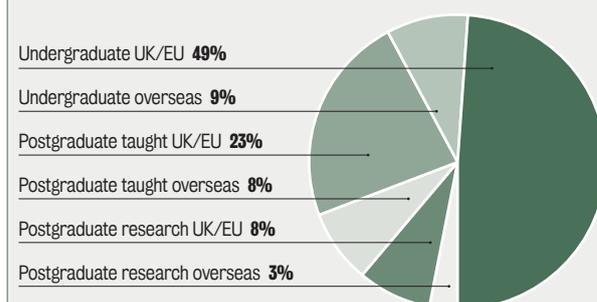
overhead funding has declined in real terms; and formulaic capital grants have all but disappeared. The impact of these policy changes has brought new challenges in managing for financial sustainability.

The university started to anticipate and address some of these issues in its planning five years ago. It took important decisions to invest in the future of King's, to reduce costs, to develop its academic strength and to plan for radical improvements to the estate for students. The emphasis may change from year to year, but over the long term a third of investment surpluses are expected to be allocated to research, a third to teaching and student facilities, and a third to upgrading the university's basic infrastructure. This approach has served King's well, but it now needs to build on the strategy so that investments for the future can continue to grow.

Accordingly, during the year the university launched initiatives to increase income, control costs, raise performance and re-phase capital investment. All parts of King's will contribute to improving financial performance to allow further investment in our education and research programmes. The balance of income generation and efficiency measures will vary across the university. In academic areas, revenue will be increased primarily through new programme development. Given the lead times required for these initiatives to come on stream, the benefits will not be manifest until at least 2015–16.

The structural demands facing the university's Health faculties have been apparent for some time. They undertake most of the high-cost laboratory research that is not fully funded from research income and, similarly, the considerable costs of laboratory-based teaching are not fully funded from tuition fees. There are also more limited options to grow student numbers here than in other disciplines. While plans were put in place during 2013–14 to increase income, there was additionally a review of staffing levels and efficiency, and some 3.5% of Health faculty staff will leave King's on a voluntary basis following internal reorganisation. Other, smaller, restructuring reviews have also taken place within the

Students by category, December 2013 headcount



university. These were difficult, but necessary, decisions that were not made lightly, and great care is being taken to ensure that the changes will not adversely affect either teaching or research. The operating results are thus stated after a £10m provision against the costs of restructuring.

In the light of this demanding background it is not surprising that the university’s position on ordinary activities has fallen to a deficit of £(2.1)m from a surplus of £9.6m last year. Grants from the funding bodies fell by £8.2m/6%, broadly in line with expectations, as the policy changes work through and the balance of funding shifts from block grant to tuition fees.

The admissions cycle for 2013 was challenging and, like other universities, King’s saw increasing competition for the best students. Compared to the prior year the overall number of students was broadly flat, and it was below the university’s targets. Admissions challenges are expected to continue and King’s has invested in additional marketing activities, new programmes and an exercise to rebalance the mix of postgraduate and undergraduate students. The current admissions cycle, with entry in autumn 2014, is encouraging.

King’s continued to invest in its estate, spending £105.9m during the year. This investment will further enhance the university’s academic reputation and the student experience for many years to come. Two large student residences projects accounted for some £60.9m of this: the purchase of land at Canada Water for student accommodation; and the redevelopment of student halls at Champion Hill on the Denmark Hill Campus. Elements of the capital investment programme were reviewed and disposal of selected assets was accelerated to allow these critical investments to proceed, whilst efforts to improve the university’s investment surplus on a sustainable basis were redoubled. Two properties were sold during the year, realising a surplus of £6m, and further disposals are planned for 2014–15.

The Fund-raising and Supporter Development team had another successful year, bringing in £14.6m in new cash and pledges. The university launched its

‘World questions | King’s *answers*’ fund-raising campaign in 2005 with the target of raising £500m over the ten-year period to 2015; this target has been reached ahead of schedule and the campaign total currently stands at £522m.

The credit rating of King’s remains strong, at Standard & Poor’s AA, which reflects robust student demand, high academic entry standards, strong financial management, positive cash reserves and the university’s leading reputation.

League tables

King’s rose 19 places to 38th in the world in the Times Higher Education World University Rankings 2013–14, published shortly after the year end. King’s recorded a greater rise in the international rankings than any other top-100 UK university and also rose nationally from 8th to 6th position.

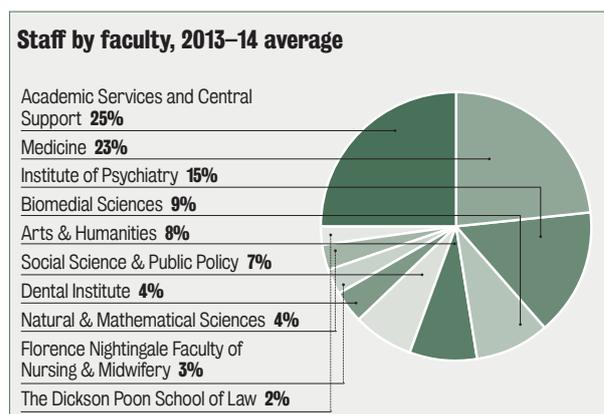
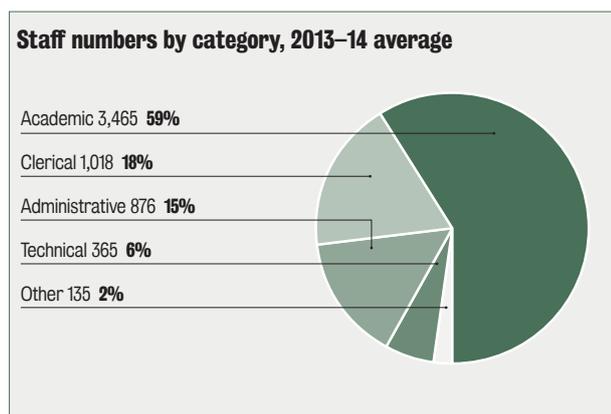
This success comes shortly after the Quacquarelli Symonds (QS) University Rankings placed King’s 16th of the top 800 global higher education institutions, renewing its ‘five-star status’:

Research	★★★★★	Employability	★★★★★
Teaching	★★★★★	Facilities	★★★★★
Internationalisation	★★★★★	Innovation	★★★★★

Such excellent results have been built on growing research volumes, improving research quality, developing educational and research facilities and offering a quality teaching and learning experience to attract the best students in an ever more competitive environment. However, we need to maintain the trajectory of recent years to realise our ambitions to be a global top-20 university.

Research

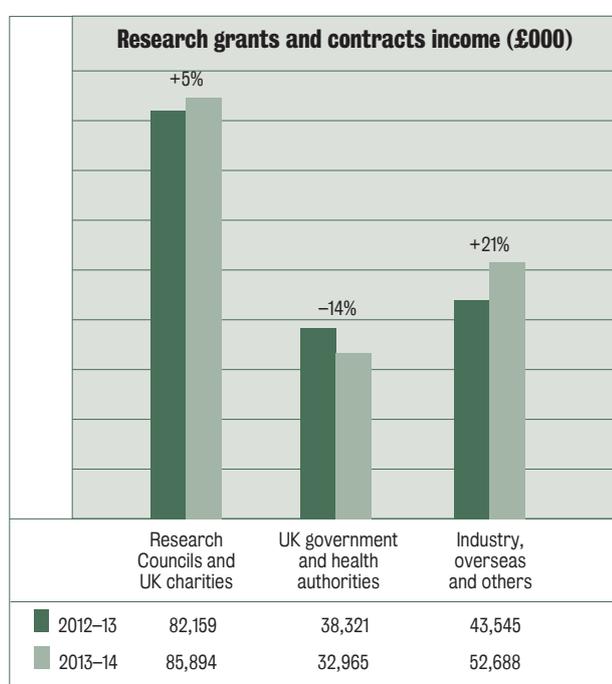
The Research Excellence Framework assessment (REF) is currently taking place, with results to be published in mid December 2014. Its outcome will affect academic reputation and funding for the university for at least the next five years. During the past few years the university has taken a range of



measures to strengthen its academic profile across all faculties in preparation for the REF exercise.

The forward order book of new and renewed awards shows growth of just below 15% year on year. This is a pleasing performance, particularly in the constrained economic environment, and bodes well for research income in the future.

Research awards	2013-14 £000	2012-13 £000	Increase
Arts & Sciences faculties	34,447.4	38,770.2	(11.1)%
Health faculties	192,007.1	158,011.5	21.5%
Other	–	340.6	–
Total King's	226,454.5	197,122.3	14.9%



It is pleasing to note the increases in income from research grants and contracts, especially against a background where much activity has been focused on preparation for the REF.

Some notable awards during the year included the following:

- The university received £6m for the King's British Heart Foundation Centre of Excellence to fund treatments into heart failure and other cardiovascular research; King's has now been awarded a total of £15m, more than any other UK centre. Launched in 2008, the institution carries out cutting-edge research and training, bringing together internationally renowned scientists and clinicians from the Cardiovascular Division, the Randall Division of Cell and Molecular Biophysics and the Division of Imaging Sciences & Biomedical Engineering.

- In October 2013 the Minister for Universities and Science announced that King's had been awarded £15m from the UK Research Partnership Investment Fund to develop a Research and Innovation Hub at Guy's Hospital within the new Cancer Centre that is being developed by Guy's and St Thomas' NHS Foundation Trust in partnership with Guy's and St Thomas' Charity and Dimbleby Cancer Care.
- The Comprehensive Cancer Imaging Centre (CICC) at King's and University College London is among four centres to receive a funding injection of £35m to develop pioneering imaging technologies for basic and clinical cancer research. The new investment from Cancer Research UK and the Engineering and Physical Sciences Research Council (EPSRC) will help cement the UK's position as a world leader in cancer imaging research. Building on the initial £50m from October 2008, CICC's latest funding will bring together scientists, engineers and clinicians to develop techniques and applications to help learn more about tumour environment and blood supply, molecular and genetic signatures, how tumours feed and grow and how cancer cells signal to one another.
- The Medical Research Council (MRC) awarded £5m to the Institute of Psychiatry at King's to set up a research consortium to advance personalised medicine for schizophrenia.
- Work continues on the establishment of the Francis Crick Institute, a partnership between three universities – King's, University College London and Imperial College London – and three of the largest funders of biomedical research – the MRC, Cancer Research UK and the Wellcome Trust. Planned to open in summer 2015 in a new purpose-built research centre close to St Pancras Station, the Crick will be the leading biomedical research institute in Europe. During 2013-14 the three academic partners developed a joint PhD programme, and the first cohort of Crick PhD students started in September 2014.
- The Wellcome Trust and the EPSRC granted King's an £8.8m award to create a multiprobe, computer-guided system for prenatal screening and diagnosis of foetal abnormalities.
- The European Research Council awarded King's a £7m 'synergy grant' to map the development of nerve connections in the brain before and just after birth. The Developing Human Connectome Project will use world-leading magnetic resonance imaging facilities in Evelina London Children's Hospital Neonatal Unit at St Thomas' Hospital to help understand how the brain develops and to see how it is affected by genetic variation or problems like preterm birth.

Teaching and learning

Along with many other universities, King's experienced a challenging 2013–14 student admissions cycle with continuing fierce competition for the best students, particular at the taught postgraduate level. In overall terms, the numbers of students were broadly unchanged from the previous year.

The National Student Survey (NSS) is an annual survey of final-year undergraduate students and contributes towards a number of UK league tables. 73% of eligible students at King's took part in the survey this year. It records the proportion of responding students expressing satisfaction in seven areas of assessment:

National Student Survey: satisfaction scores

	2014 (%)	2013 (%)	2012 (%)	Sector	% change 2013–14
Teaching on my course	88	86	86	87	2
Assessment and feedback	62	61	58	72	1
Academic support	77	75	75	81	2
Organisation and management	76	74	75	79	2
Learning resources	87	83	84	86	4
Personal development	80	78	80	82	2
Overall satisfaction	83	81	82	86	2

Results for NSS 2014 show a marked improvement on those recorded in 2013. The university's decisive action on a number of fronts has led to a rise in its overall satisfaction rating, which now stands at 83% (up from 81% last year). King's scores have also risen in each of the other six measures recorded. There are now 13 faculties, institutes and departments with overall satisfaction scores of 90% or above: Neuroscience (100% for the second year in a row), French (98%), Biochemistry (97%), Classics (96%), Dentistry (93%), Pharmacy (93%), German (92%), History (92%), Comparative Literature (91%), Philosophy (91%), Biomedical Science (90%), Film (90%) and Law (90%). Meanwhile, with the overall satisfaction score for the MBBS programme in Medicine remaining at 57%, significant improvements are being introduced to this programme, but they will take time to have an impact.

Improving performance across the board – even in the many areas that are faring well – is essential if King's is to maintain its reputation as a leading international university. Over the coming year the university will be updating its action plans and redoubling its efforts to ensure that all of its students receive the best possible education.

In partnership with FutureLearn, King's has created a series of free Massive Open Online Courses (MOOCs). 'Understanding Drugs and Addiction' and 'Causes of War' were launched during the year and have been extremely

popular; some students have registered on other programmes to continue their education with the university. A further MOOC, 'Medicine Adherence', was launched just after the year end.

Widening participation is one of the university's eight strategic priorities and each year it develops an agreement with the Office for Fair Access (OFFA) that sets clear benchmarks for progress in supporting key groups. In July 2014 King's received approval of its 2015–16 access agreement. Its most recent monitoring report to OFFA, in January 2014, covered the year 2012–13, when the university made good progress against ambitious targets: for enrolment of full-time first-degree entrants on Higher Education Funding Council for England (HEFCE)-funded programmes from state schools; and for enrolment of students from ethnic groups defined as non-white. Most notably, King's has comprehensively exceeded its target for students from classes 4 to 7 in the National Statistics age-adjusted Socio-Economic Classification system (NS-SEC). Its collaborative target concerning the proportion of students starting the national Realising Opportunities programme and subsequently progressing to a research-intensive university has also been reached. With 15 other such universities across the UK, King's has significantly improved delivery and expansion of this scheme.

In 2012–13 the work of the central Widening Participation Department at the university reached more than 11,000 students. King's hosted its first residential Sutton Trust Summer School for over 100 British sixth-formers. The university launched the innovative K-Link scheme, pairing academic departments at King's with those in targeted London schools and colleges and fostering the flow of research-rich teaching. In the coming year it will focus on developing a more comprehensive suite of schemes for pre-16 students and mature learners.

King's Maths School opened its doors to an initial intake of 68 students in September 2014. The first of its kind, it is a state-funded, specialist school for mathematicians aged 16 to 19, selected for their enthusiasm for, as well as their attainment in, mathematics. It provides access to high-quality teaching at sixth-form level and has already started running outreach activities. Its extensive GCSE enrichment programme, involving over 200 students, aims to increase mathematical understanding and improve take-up of both Mathematics and Further Mathematics A-levels. The initiative is part of the government's scheme to improve mathematics education in the state sector and increase the number of young people with the right levels of mathematical attainment to study science, technology, engineering and mathematics – the so-called STEM subjects – at top-rated universities.

Capital investment

The King's estate is an important asset, as it enables high-quality teaching and research to take place. Investment in the estate is necessary if the university is to maintain and improve its educational and research infrastructure for the benefit of all staff and students. The capital plan reflects academic investment requirements over a number of years and makes assumptions about the availability of funding to finance this expenditure, including fund-raising, property disposal proceeds, research grants, external finance and partnering arrangements as well as future investment surpluses.

King's invested £105.9m in its estate during the year. As previously mentioned, two large projects accounted for some £60.9m of this: the purchase of land at Canada Water for student accommodation; and the development of student residences at Champion Hill on the Denmark Hill Campus.

	2013–14 Investments £m	Capital commitments £m
Student facilities	10.1	11.9
Student residences	60.9	3.5
Infrastructure	20.1	3.3
Research	14.8	35.2
	105.9	53.9

Future committed investments of £53.9m include £37m for research facilities for cancer, perinatal and imaging activities. Commitments in respect of student facilities reflect enhancements to teaching and learning space on the Strand Campus. All capital investment plans are subject to detailed scrutiny and review, and no projects are allowed to proceed until the necessary funding is in place.

During the year, Half Moon Lane (Denmark Hill Campus) and Brian Creamer House (St Thomas') were sold, realising net profits of £2.8m and £3.1m respectively. Further disposals are planned for 2014–15; contracts were exchanged for one small transaction shortly after the year end and two larger transactions will follow.

The asset disposal programme is an integral part of the university's financial strategy. Some planned disposals have been brought forward to provide a bridge during the transition between current levels of operating performance and those required in the future. This should generate more sustainable surpluses from operating income and enable investment to be maintained in line with existing plans.

Public benefit and service to society

King's is an 'exempt' charity under the Charities Act 2011 and as such is regulated by HEFCE on behalf of the Charity Commission. The university's objects, as defined in its Charter, are to advance education and promote research

for the public benefit. In so doing, King's gives due regard both to its Anglican traditions and to the diverse beliefs and backgrounds of its members. The university considers its mission to be the advancement of knowledge, learning and understanding in service to society.

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

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

- the university's undergraduate, postgraduate taught and postgraduate research students, who benefit from the education provided by King's in their development as individuals and in their employment prospects (as indicated above, the university has been rated five-star by the QS rankings in terms of employability); and
- society at large (reflected in the university's mission 'in service to society'), which benefits from the advancement of research by King's on its own and in conjunction with strategic partners.

King's has been a member of the Athena SWAN Charter since 2007 and gained its institutional Bronze Award in 2008; this was renewed in September 2013 for a further three years. The award is made by the National Equality Challenge Unit, which recognises commitment to gender equality in science, technology, engineering, mathematics and medicine (STEMM). A number of the STEMM faculties at King's have ambitious plans to build on this success and intend to apply for a Silver Award next year. Athena SWAN forms part of the university's more general diversity initiative aimed at creating an inclusive culture across King's.

King's Health Partners (KHP) brings together a world-leading research-led university (King's) and three successful NHS Foundation Trusts (Guy's and St Thomas', King's College Hospital, and South London and Maudsley) and was first accredited by the Department of Health as an Academic Health Science Centre (AHSC) on 9 March 2009 for five years. The partners have been successful in the re-accreditation process and KHP will continue to be an AHSC for a further five years from 1 April 2014. Based on breaking down barriers and increasing co-operation and focus, AHSCs seek to combine basic and translational health research, clinical care and education to create world-leading improvements in healthcare. The centres speed up the time it takes the NHS to access new and better-quality treatments and approaches to improving health. This is due to the

exceptional partnerships between researchers and NHS staff working at the front line, delivering patient care.

The King's Sierra Leone Partnership, established in 2011, is a programme to strengthen health systems which draws on staff expertise from across KHP to support health-worker training, policy, research and clinical services. Its team, led by Dr Oliver Johnson, is at the heart of the UK government's response to the Ebola outbreak in Sierra Leone and has played a vital part in responding to the virus since it first reached the country in May 2014. The team's role rapidly extended beyond its initial management of a 16-bed isolation unit at Freetown's Connaught Hospital. Working closely with the Sierra Leone government and local and international partners, it led support for the establishment of an Ebola Command Centre in Freetown. The centre manages the deployment of ambulance services, collects laboratory tests, circulates results, co-ordinates burial teams and distributes deliveries to isolation units. The team is also providing support to two further isolation centres through clinical training, supplies and technical advice.

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

In December 2012 the university stated its intention to establish a specialist state secondary school for talented young mathematicians aged 16 to 19; as discussed above, King's Maths School opened in September 2014. Catering for students who have both exceptional ability in mathematics and an intense interest in the subject, it will allow them to study with a critical mass of pupils sharing a similar passion for mathematics.

The university plans to open a science gallery, following confirmation of funding of £3m from the Wellcome Trust and £4m from Guy's and St Thomas' Charity towards a target of £12m. The gallery will be based at the Guy's Campus and will include exhibition galleries, a theatre, café, courtyard and informal meeting areas. This leading space for innovation will be free to visit, with a focus on 15–25-year-olds, as King's continues in its aims to engage young people and to inspire them through collaborations between science and art. University staff will work with local communities, inviting artists and researchers to contribute ideas, experiment and work together in an environment that is intended to incubate new approaches. It is expected that construction will commence in 2015, with the launch the following year.

Reflecting its religious traditions, the university offers students and staff a range of opportunities for religious worship and expression. In addition, it runs the unique

Associateship of King's College, a voluntary course open to students and staff of all beliefs and backgrounds, focusing on questions of theology, philosophy, religion and ethics in a contemporary context.

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

Risk management

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

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

Based on the Audit and Compliance Committee's review of internal audit reports, the separate review of the system of internal controls, the external auditors' findings during their work and management's Letter of Representation, committee members were able to support the judgement of management that adequate internal control processes were in place, including those concerned with the control and quality of data, and that the university was seeking continual improvement in that respect. An annual report that considered the progress made in relation to the management of risk within King's was considered and approved by Council in June 2014. While many of the risks remained the same or increased during the year, they have been subject to close monitoring and control at a corporate and managerial level.

Value for money

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

- management of cash and cash investments
- student enrolment and fee billing
- tendering arrangements and awarding of large contracts
- shared services
- utilities and facilities contracts
- management of intellectual property rights
- a review of the operation of the university's travel arrangements.

During 2013–14 King's took part in the retendering of the London University Procurement Consortium's contract for insurance brokerage services.

The university's commitment to securing value for money is confirmed by the amount of senior management time recently dedicated to evaluating the efficiency of its professional services. An ongoing efficiency review is being undertaken by the Operations Executive under the leadership of the Director of Research Management, the Director of Students and Education, and the Chief Information Officer.

Of key importance to the university's efforts in achieving optimum value for money from its spending is its Purchasing Services Office, part of the Finance and Planning Directorate, established specifically for this purpose. The purview of the Purchasing Services Team is wide ranging and has an impact on all areas of procurement. This includes:

- providing guidance and assistance in respect of the European Union Procurement Directives
- developing contracts that address the internal purchasing needs of the university's departments
- supporting commodity groups and fora which encourage exchange of ideas and knowledge of procurement practice.

Financial highlights

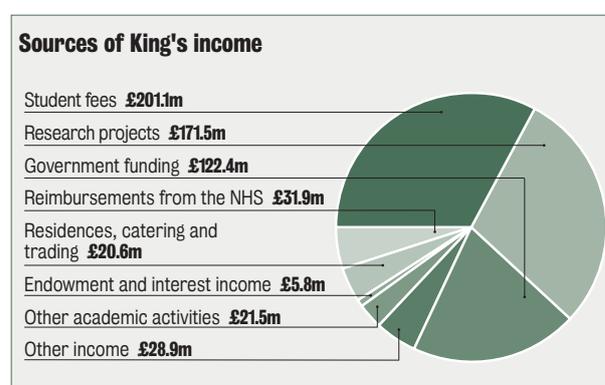
The financial results comprise the consolidated results of King's and its subsidiary undertakings. The principal subsidiary, College Facilities Ltd, undertakes major building and related works on behalf of King's.

Results

	2013–14	2012–13
	£000	£000
Income	603,668	586,948
Expenditure	605,809	577,383
(Deficit)/surplus on ordinary activities	(2,141)	9,565
Surplus on disposal of property	5,963	–
Surplus after depreciation and tax	3,822	9,565
	2013–14	2012–13
	£000	£000
(Deficit)/surplus on operating activities	(9,812)	4,493
Impact of FRS17	131	65
Surplus on departmental activities	7,540	5,007
(Deficit)/surplus on ordinary activities	(2,141)	9,565
(Deficit)/surplus on ordinary activities as a % of income	(0.4)%	1.6%

The results on ordinary activities show a £(2.1)m deficit and reflect the impact of policy changes that the university anticipated, reductions to the HEFCE teaching grant, a £9,000 fee for UK undergraduates that has not kept pace with inflation, challenges in the admissions market and the impact of restructuring costs.

Income



Fund-raising

The university launched its fund-raising campaign 'World questions | King's answers' in 2005 with the target of raising £500m over the ten-year period to 2015 to address some of the most pressing challenges facing humanity. As previously

mentioned, the campaign reached its target 18 months ahead of schedule and King's is now aiming to build on this success and raise a further £100 million by the end of 2015 to fund vital research, deliver innovative new treatments and support scholarships.

Fund-raising income	2013-14			
	Total campaign £000	College £000	KHP £000	Total £000
Staff and students	34,713	2,549	–	2,549
Capital items and endowments	52,191	1,615	–	1,615
Income raised for NHS partners	21,286	–	5,330	5,330
Received	108,190	4,163	5,330	9,494
Gifts-in-kind	4,619	2,250	–	2,250
Pledges not yet received	82,678	8,148	964	9,112
	195,487	14,562	6,294	20,856
Directed research grants	326,195	42,497	–	42,497
	521,681	57,059	6,294	63,353

New cash and pledges for the university brought in this year by Fund-raising and Supporter Development (F&SD) amounted to £12.3m, which rose to £14.6m taking into account a substantial gift-in-kind, bringing the campaign total to £522m.

F&SD raises funds for King's Health Partners as well as for the university. The combined sum raised during 2013-14 was £20.9m, spread across the following campaign priorities.

Campaign theme	University £000	KHP charity partners £000	Total £000
Neuroscience and mental health	241	225	466
Leadership and society	4,702	3	4,705
Cancer	5,942	583	6,525
Global power	792	–	792
Child health	22	1,312	1,334
Local priorities	2,863	4,171	7,034
	14,562	6,294	20,856

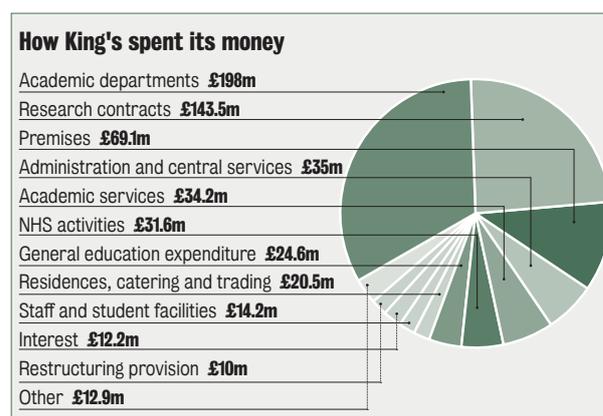
King's is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big. Some of the larger gifts and pledges received during the year included the following.

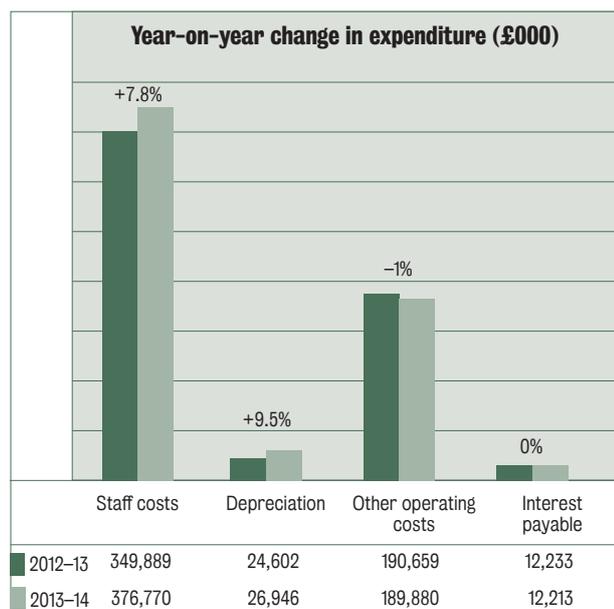
- A £2.1m pledge from the Prostate Cancer Research Centre (PCRC) will fund a King's team, including a

senior lecturer, for the next five years and two PCRC scientists for three years.

- A pledge from Marie-Christine Lee of £2m will support the Marie-Christine Lee Oncology Research Suite in the new Cancer Centre at Guy's Hospital, due to open in 2016.
- An anonymous donor has pledged £1.25m for the creation of a series of PhD scholarships to celebrate the legacy of Professor Sir Richard Trainor; the gift will be received over a period of five years and will be associated with the faculties of Arts & Humanities, Natural & Mathematical Sciences and Social Science & Public Policy.
- The Carnegie Corporation of New York has pledged £583,000 to fund a research project on open-source and trade information in support of non-proliferation.
- A pledge of £258,000 from an anonymous donor will fund the writing of a book on the history of Ravenna.
- A £245,000 pledge from the JP Moulton Charitable Foundation will support the work of Dr Mieke van Hemelrijck in trials of the therapeutic use of metformin to prevent the progression of prostate cancer.
- A further pledge of £200,000 from the JP Moulton Charitable Foundation will fund the MAGSTAR (magnetic versus standard technique) clinical trial for sentinel lymph node biopsy in breast cancer.
- £195,000 pledged by an anonymous donor via the Swiss Bridge Foundation will support the work of Lars Holmberg, Professor of Cancer Epidemiology, on metabolic syndrome and prostate cancer progression.

Expenditure





Staff expenditure in 2013–14 included a £10m provision for costs associated with the departure of individuals who have now left the university or who have agreements in place to leave. Of the remaining underlying £16.9m/4.8% rise in staff costs, some £6m relates to increased research activity, £6m to the annual pay award determined by national pay bargaining and around £3m to contractual commitments for grade progression.

The impact of the restructuring across King's will primarily show in the staff numbers for 2014–15.

Average staff numbers (full-time equivalent)	2013-14	2012-13
Academic/clinical (including staff on research grants)	3,465	3,301
Administrative and related staff	876	871
Technical	365	357
Clerical	1,018	991
Other	135	144
Total	5,859	5,664

The increased depreciation charge this year reflects the pace of the capital investment plan and, in particular, some £1m depreciation in respect of the fit-out costs for the Virginia Woolf Building and about £500,000 each for infrastructure investments and research equipment.

Endowment asset investments

The endowment investments increased during the year from £154m to £163m. This reflects both receipt of new endowments (£6m) and capital growth over the year (£3m). Investment income was £4.5m. As measured by total return over the year, performance was as follows.

Performance for the year to 31 July 2014

Actual performance	+6.0%
Policy benchmark	+6.3%
Value added	(0.3)%

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

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

In order to achieve the university's policy targets, holdings in UK equity and UK corporate bonds were reduced slightly during the year and the proceeds invested in property.

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. In 2014–15 the Investment Subcommittee will work with King's and its advisors, Cambridge Associates, to establish a suitable spending rate and asset allocation policy to facilitate the move to total return.

Working capital management

Net current assets	31 July 2014	31 July 2013	Change
	£000	£000	£000
Cash at bank	119,861	196,580	(76,719)
Debtors	78,212	66,807	11,405
Current assets	198,073	263,387	(65,314)
Creditors < one year	(197,981)	(191,967)	(6,014)
Net current assets	92	71,420	(71,328)

The ratio of liquid assets to annual expenditure (excluding depreciation) was 76 days compared with a target of 90 days. Cash has fallen significantly as the capital investment programme continues. Major disbursements included a further investment of £8.4m in the Francis Crick Institute; expenditure on the estate amounted to £105.9m, including £27.5m at Canada Water and £26m at Champion Hill for student residences.

Debtors	31 July 2014 £000	31 July 2013 £000	Change £000
Trade debtors	19,106	16,862	2,244
Other debtors	14,091	6,042	8,049
Research grant debtors	25,637	28,485	(2,848)
Research grant work in progress	16,076	14,013	2,063
Prepayments and accrued income	3,302	1,405	1,897
	<u>78,212</u>	<u>66,807</u>	<u>11,405</u>

Overall debtors turnover, based on total income excluding the block grant, was 59 days (2013: 53 days). The increase in trade debtors is mainly attributable to an increase in amounts due from the NHS Trusts. Other debtors include £4.1m relating to a property sale and £3.6m as a payment on account for the Cancer Centre at Guy's Hospital.

Creditors	31 July 2014 £000	31 July 2013 £000	Change £000
Trade creditors	29,522	25,518	4,004
Payments received on account	106,649	100,795	5,854
Other creditors and accruals	47,150	51,857	(4,707)
Social Security and taxation	9,211	8,532	679
Finance leases	1,645	1,650	(5)
Loans repayable within 1 year	3,804	3,615	189
	<u>197,981</u>	<u>191,967</u>	<u>6,014</u>

The rise in payments on account is largely attributable to an increase in research funding in advance. Other creditors and accruals have decreased by £5m due to a combination of individual items, including reductions in amounts owed to European research collaborators.

Treasury management

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

Cash in excess of day-to-day liquidity needs is managed for King's by Royal London Cash Management (RLCM), which invests in certificates of deposit with banks over a range of maturities as well as treasury stock. Counterparty banks are strictly limited to major national banks with Standard & Poor's ratings of AA- or better, unless explicitly agreed otherwise by the Finance Committee. The amounts

are restricted to £15m per counterparty with the exception of Barclays, HSBC and Lloyds, where the limit is £30m, and RBS, with a maximum of £50m. There is no limit on the sum invested in UK treasury stock. The approved counterparty list is continually kept under review.

Long-term loans

There were no new loans taken out during the year.

Borrowings	Total	< 1 year	> 1 year
Finance leases	10,745	1,645	9,100
Loans	162,505	3,804	158,701
Total borrowings 2013-14	<u>173,250</u>	<u>5,449</u>	<u>167,801</u>
Total borrowings 2012-13	174,842	5,265	169,577

	31 July 2014	31 July 2013	Limit
Borrowings as a % of income	28.7%	29.8%	50%
Borrowings to reserves	0.7	0.7	1.0

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

Net cash	31 July 2014 £000	31 July 2013 £000	Change £000
Cash and short-term investments	119,861	196,580	(76,719)
Borrowings	<u>173,250</u>	<u>174,842</u>	<u>1,592</u>
Net (borrowings)/funds	<u>(53,389)</u>	<u>21,738</u>	<u>(75,127)</u>

From a net cash position King's has now moved into a net debt position, reflecting the drawdown to finance capital commitments.

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. As King's is unable to determine its share of assets and liabilities in accordance with FRS17, the schemes do not appear on the balance sheet, although full disclosure is made in the notes to the accounts (see note 31 to the financial statements).

Both schemes are currently undertaking triennial valuations as at 31 March 2014. Although some improvement is expected since the last triennial valuations in March 2011, deficits remain in each scheme and further changes will be required to both funding and benefits if these schemes are to remain viable in the long term.

King's has also participated in the Local Government Pension Scheme (LGPS), a legacy of the former Chelsea College, which merged with the university some years ago. During 2013–14 the last active LGPS member transferred to SAUL, triggering a termination payment of £1,259,000 which settles all remaining liabilities in the scheme. There does, however, remain a residual liability for unfunded pensions where, under previous arrangements, the university agreed to supplement the pensions of certain individuals in the scheme.

Prospects and planning outlook

The economic recovery in the UK is looking more assured; output has finally exceeded its pre-crisis peak. Unemployment has fallen sharply and is now expected to drop below 6% by the end of 2014, with inflation expected to remain at, or slightly below, 2%. Growing consumer confidence, particularly concerning the prospect of taking on student debt, will help with domestic demand for places at King's. However, for other income streams such as funding for teaching, research and NHS-related activities, the public sector's ongoing balance-sheet repair will take longer to work through before any positive impact is felt in the higher education sector.

The restrictions around the number of UK/EU students that can be admitted below certain grade criteria will be further relaxed in 2015–16, at which point universities will be free to admit any number of students meeting their own entry tariff requirements. Although this will have no direct impact on King's (whose intake standards are set at the highest levels), increased student demand will have consequences for the Student Loan Company regarding funding costs, which the government will need to recover.

The general election in 2015 may bring changes to the university funding environment, as the political parties have widely differing views on the appropriate level of tuition fees. Current funding for teaching is declining in real terms, with inflation eroding the value of the £9,000 undergraduate fee set in 2010, while the cost of delivery is rising. The government funding received for high-cost science subjects, in particular, is insufficient.

Against a background of rising consumer confidence in the domestic market, demographic forecasts indicate a continuing decline in the UK's young population, which is projected to decrease by 12.3% between 2012 and 2021. The relaxation of the intake regulations in respect of mainland European qualifications will facilitate student recruitment from continental Europe and will help to offset both the relative strength of sterling and the slower rate of economic recovery and consumer confidence in the Eurozone economies.

Looking further afield, the outlook is much less assured, and latest forecasts suggest this will slow the rate of recovery in the UK (and in the USA). Economic stresses in the Eurozone, political stresses in the Middle East and the Ukraine, and the effect of the Ebola crisis on the economies of western Africa will all have a negative impact. Even the strong growth experienced in two of the university's largest recruitment markets, India and the People's Republic of China, is now predicted to falter.

Each year King's recruits about 2,000 international students, with 70% of these coming from four countries: the USA, China, India and Singapore. However, international higher education is an increasingly competitive market, and the governments of the UK's competitors – including the USA, Australia, Canada, New Zealand and Germany – are each implementing bold strategies and policies, backed by investment, in an attempt to attract more international students to their universities. For the UK, a return to sustained growth in international student recruitment is not a certainty in the current climate. With a spotlight remaining on the wider issue of immigration in public discourse, and with students constituting the largest portion of non-EU immigration, higher education institutions remain affected by the government's drive to reduce net migration to the 'tens of thousands'.

Universities face a new competitor in the form of massive open online courses, or MOOCs. These digitally delivered programmes, which teach students via the web or tablet apps, have big advantages over their established rivals. With low start-up costs and powerful economies of scale, MOOCs dramatically lower the price of learning and widen access to it, removing the need for students to be taught at set times or places. The minimal cost of providing courses means they can be sold cheaply or even given away. Fortunately, the universities least likely to lose out to online competitors are elite institutions with established reputations and low student-to-tutor ratios.

Financial forecasts

Projections	2011-12 actual £m	2012-13 actual £m	2013-14 actual £m	2014-15 forecast £m	2015-16 forecast £m	2016-17 forecast £m
Income	554.2	586.9	603.7	632.8	661.1	692.0
Expenditure	522.7	577.4	605.8	632.6	653.1	682.0
Surplus/(deficit) on ordinary activities before tax	31.5	9.5	(2.1)	0.2	8.0	10.0
Surplus/(deficit) as a % of income	5.7%	1.6%	(0.4)%	0%	1.2%	1.4%

Planned asset disposals are excluded from the above analysis and will bridge the transition between current levels of operating performance and the investment surpluses necessary to sustain future investment.

Conclusions

This has been a challenging year for the university. The shortfall in postgraduate student recruitment has been offset to some extent by measures to increase income, reduce costs and raise performance which, together with a review of investment plans and disposal of capital assets, has ensured that overall King's ended the year with a small surplus.

We need to continue to invest if we are to realise our academic objectives and improve the student experience. In the short term we are using income from property disposals to finance our capital needs. In the long term we need to generate increasing levels of surplus from operating revenues to ensure a more sustainable source of investment income. We are reviewing our plans and strategies under the new Principal, Professor Edward Byrne, to further raise levels of academic and financial performance.

We would also like to pay tribute to the departing Principal, Professor Sir Richard Trainor, who retired at the end of July 2014, for his vision and management of the university finances over the past 10 years. Under his leadership King's has advanced its reputation for excellence and its position as a world-class university, attracting outstanding students and growing research volume and quality in an ever-more competitive environment. Sir Rick leaves King's with an impressive platform on which to build for future success.

Mr Rory Tapner
Treasurer

Mr Stephen Large
Director of Finance

Corporate governance

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

The university endeavours to conduct its business:

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

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

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

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

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

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

Although the Council meets at least three times each academic year, most of its detailed business is handled by committees, in particular a Finance Committee, an Audit and Compliance Committee, a Remuneration Committee, an Estates Strategy Committee and a Nominations Committee. The Council also has a Chairman's Committee, which is authorised by the Council to provide support and guidance to the 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 and Compliance Committee is responsible for meeting, at least once annually, with the external auditors, to discuss audit findings, and with the internal auditors, to consider detailed internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's response and implementation plans. It receives and considers reports from HEFCE and the Training and Development Agency for Schools as they affect the 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 auditors, internal audit or management.

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

The principal academic and executive officer of King's is the President and 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 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 University Secretary should act as Secretary of the Council. Any enquiries about the constitution and governance of the university should be addressed to the University 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 2014 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 and Compliance Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Council receives periodic reports from the Chairman of the Audit and Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from Vice-Principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Compliance Committee reports to Council its findings in respect of the effectiveness of the risk-management process. This is informed by the categorisation of risks and the maintenance of a university-wide risk register.
- The Audit and 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 Principal's Executive Team 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 and which was last reviewed for effectiveness by the HEFCE Assurance Service in June 2009. The Department of Audit & Business Assurance submits regular reports to the Audit and Compliance Committee that include 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 2014 was informed by the Audit and 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 auditors in their 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 addition, within the terms and conditions of the Financial Memoranda agreed between HEFCE and the Training and Development Agency for Schools and the Council of the university, the Council, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- ensure that funds from HEFCE and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and the Funding Agreement with these bodies
- ensure that professional financial management is in place in terms of numbers of staff and their quality
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the 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 and 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 auditors' report to the Council of King's College London

We have audited the group and university financial statements (the 'financial statements') of King's College London for the year ended 31 July 2014 which comprise Consolidated Income and Expenditure Account, the Consolidated Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Council and the auditors

As explained more fully in the statement of Responsibilities of the Council set out on page 18, the Council is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and university's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we

read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the affairs of the group and university as at 31 July 2014 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

- We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion: the statement of internal control included as part of the Corporate Governance statement is inconsistent with our knowledge of the university and group.

Nicola May (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate, Brighton Road

Crawley, West Sussex RH11 9PT

25 November 2014

Statement of principal accounting policies

1. Accounting convention

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

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

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

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

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

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

4. Pension schemes

The two principal pension schemes in which King's participates are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined-benefit schemes that are externally funded and contracted out of the Second State Pension. The schemes are valued every three years by professionally qualified and independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed

in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the university benefits from the employees' services.

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

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

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

5. Foreign currencies

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

6. Leases

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

7. Land and buildings

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

In respect of the new property, where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated

as deferred capital grants and released to income over the expected useful life of the buildings. Freehold assets during the course of construction are not depreciated.

8. Furniture and equipment

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

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

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

9. Heritage assets

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

In so far as heritage assets are used as operational assets, as in the case of historic buildings, they are capitalised in accordance with the policies set out in points 7 or 8 above. Other heritage assets – principally printed materials, pictures and objects of scientific interest – are, for individual items exceeding £25,000, capitalised at cost or valuation on acquisition, but only where a reliable valuation is available. Valuations reflect any impairment or restrictions on use of the assets by the 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 12 to the accounts.

10. Investments

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

11. Cash flows and liquid resources

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

investments, however liquid, are included as cash.

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

12. Maintenance of premises

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

13. Taxation status

The university is an exempt charity within the meaning of the Charities Act 2011 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the university is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The university receives no similar exemption in respect of Value Added Tax.

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.

14. Related party transactions

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

15. Provisions

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

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

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

16. Charitable donations

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

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

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

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

Consolidated Income and Expenditure Account

For the year ended 31 July 2014

	<i>Note</i>	2013-14 £000	2012-13 £000
Income			
Funding body grants	<i>1</i>	122,426	130,671
Tuition fees and education contracts	<i>2</i>	201,076	174,581
Research grants and contracts	<i>3</i>	171,547	164,025
Other operating income	<i>4</i>	102,845	111,276
Endowment and investment income	<i>5</i>	5,774	6,395
Total income		<u>603,668</u>	<u>586,948</u>
Expenditure			
Staff costs	<i>6</i>	376,770	349,889
Other operating expenses	<i>10</i>	189,880	190,659
Depreciation	<i>11</i>	26,946	24,602
Interest payable	<i>8</i>	12,213	12,233
Total expenditure	<i>10</i>	<u>605,809</u>	<u>577,383</u>
(Deficit)/surplus on ordinary activities		(2,141)	9,565
Taxation	<i>9</i>	–	–
(Deficit)/surplus on ordinary activities after taxation		<u>(2,141)</u>	<u>9,565</u>
Receipts from property transactions		5,963	–
Surplus after depreciation of assets at cost and tax	<i>22</i>	<u>3,822</u>	<u>9,565</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 27 to 41 form part of the financial statements.

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2014

	<i>Note</i>	2013-14 £000	2012-13 £000
Surplus after depreciation of assets at cost and tax		3,822	9,565
Change in value of endowment asset investments	21	3,187	14,535
Endowment income movement for the year	21	(159)	53
New endowments less transfer to deferred capital grants	21	5,484	8,739
Actuarial (loss)/gain on pension schemes	30	(600)	29
Total recognised gains relating to the year		<u>11,734</u>	<u>32,921</u>

Reconciliation

Opening reserves and endowments	400,476	367,555
Total recognised gains for the year	11,734	32,921
Closing reserves and endowments	<u>412,210</u>	<u>400,476</u>

The notes on pages 27 to 41 form part of the financial statements.

Consolidated and University Balance Sheets

As at 31 July 2014

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible assets	11	807,767	729,738	809,886	731,611
Investments	13	34,041	25,629	34,041	25,629
		<u>841,808</u>	<u>755,367</u>	<u>843,927</u>	<u>757,240</u>
Endowment asset investments	14	<u>162,597</u>	<u>154,085</u>	<u>162,597</u>	<u>154,085</u>
Current assets					
Debtors	15	78,212	66,807	84,468	66,053
Cash at bank and in hand		119,861	196,580	106,821	187,192
		<u>198,073</u>	<u>263,387</u>	<u>191,289</u>	<u>253,245</u>
Creditors: amounts falling due within one year	16	<u>(197,981)</u>	<u>(191,967)</u>	<u>(191,223)</u>	<u>(181,851)</u>
Net current assets		<u>92</u>	<u>71,420</u>	<u>66</u>	<u>71,394</u>
Total assets less current liabilities		1,004,497	980,872	1,006,590	982,719
Creditors: amounts falling due after more than one year	17	<u>(167,801)</u>	<u>(169,577)</u>	<u>(167,801)</u>	<u>(169,577)</u>
Provisions for liabilities and charges	19	<u>(8,322)</u>	<u>–</u>	<u>(8,322)</u>	<u>–</u>
Net assets excluding pensions liability		828,374	811,295	830,467	813,142
Net pensions liability	30	<u>–</u>	<u>(1,243)</u>	<u>–</u>	<u>(1,243)</u>
Total net assets including pensions liability		<u>828,374</u>	<u>810,052</u>	<u>830,467</u>	<u>811,899</u>
Deferred capital grants	20	416,164	409,576	416,164	409,576
Endowments					
Restricted permanent	21	138,314	129,441	138,314	129,441
Restricted expendable	21	24,283	24,644	24,283	24,644
		<u>162,597</u>	<u>154,085</u>	<u>162,597</u>	<u>154,085</u>
Reserves					
Capital reserve	22	223,802	150,585	225,921	152,458
General reserves excluding pension reserve	22	25,811	97,049	25,785	97,023
Pension reserve		<u>–</u>	<u>(1,243)</u>	<u>–</u>	<u>(1,243)</u>
		<u>249,613</u>	<u>246,391</u>	<u>251,706</u>	<u>248,238</u>
Total funds		<u>828,374</u>	<u>810,052</u>	<u>830,467</u>	<u>811,899</u>

The financial statements on pages 20 to 41 were approved by the Council on 25 November 2014 and signed on its behalf by:

The Marquess of Douro
Chairman of Council

Professor Edward Byrne
President & Principal

Mr Rory Tapner
Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2014

	<i>Note</i>	2013-14 £000	2012-13 £000
Net cash inflow from operating activities	24	15,758	53,102
Returns on investments and servicing of finance	25	(2,217)	(1,452)
Capital expenditure and financial investment	26	<u>(82,881)</u>	<u>(59,826)</u>
Cash outflow before use of liquid resources and financing		(69,340)	(8,176)
Management of liquid resources	27	(1,408)	(10,093)
Financing	28	(5,971)	(5,764)
Decrease in cash	29	<u>(76,719)</u>	<u>(24,033)</u>

Reconciliation of net cash flow to movement in net (debt)/cash

	<i>Note</i>	2013-14 £000	2012-13 £000
Decrease in cash in the year		(76,719)	(24,033)
Cash inflow from liquid resources		1,408	10,093
Decrease in debt		<u>1,592</u>	<u>1,398</u>
Movement in net cash in the year		(73,719)	(12,542)
Net cash at 1 August		39,160	51,702
Net (debt)/cash at 31 July	29	<u>(34,559)</u>	<u>39,160</u>

The notes on pages 27 to 41 form part of the financial statements.

Notes to the accounts

For the year ended 31 July 2014

1. FUNDING BODY GRANTS

	2013-14	2012-13
	£000	£000
Higher Education Funding Council for England grants:		
Recurrent grant	107,805	116,072
Specific grants	4,845	4,619
Deferred capital grants released in the year:		
Buildings (<i>note 20</i>)	6,029	5,954
Plant (<i>note 20</i>)	3,012	2,912
Equipment (<i>note 20</i>)	735	828
	<u>122,426</u>	<u>130,385</u>
Joint Information Systems Committee grants	–	221
Training and Development Agency for Schools grants	–	65
Total funding body grants	<u>122,426</u>	<u>130,671</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	2013-14	2012-13
	£000	£000
Full-time students charged home fees	87,344	71,123
Full-time students charged overseas fees	72,147	63,895
NHS contracted student fees	23,024	21,811
Part-time fees	7,045	7,106
Special and short course fees	11,447	10,605
Research training support grants	69	41
	<u>201,076</u>	<u>174,581</u>

3. RESEARCH GRANTS AND CONTRACTS

	2013-14	2012-13
	£000	£000
Research Councils	38,257	36,558
UK central government, local authorities, health and hospital authorities	32,965	38,321
UK industry, commerce and public corporations	13,112	11,516
UK charitable bodies	47,637	45,601
EU government and other bodies	21,381	18,780
Overseas non EU	17,087	12,721
Other	1,108	528
	<u>171,547</u>	<u>164,025</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

4. OTHER OPERATING INCOME

	2013-14	2012-13
	£000	£000
Academic departments costs reimbursed by NHS	15,782	15,531
Clinical excellence awards reimbursed by NHS	8,094	8,335
Residences, catering and conferences	20,582	18,667
Services rendered to NHS and related bodies	8,036	9,663
Self-financing activities	21,425	24,600
Released from deferred capital grants	2,092	2,241
Other income	26,834	32,239
	<u>102,845</u>	<u>111,276</u>

5. ENDOWMENT AND INVESTMENT INCOME

	2013-14	2012-13
	£000	£000
Transferred from restricted permanent endowments (<i>note 21</i>)	3,266	2,986
Transferred from restricted expendable endowments (<i>note 21</i>)	1,427	1,339
Other interest receivable	1,081	2,070
	<u>5,774</u>	<u>6,395</u>

6. STAFF

	2013-14	2012-13
	£000	£000
Staff costs:		
Wages and salaries	304,117	291,395
Social security costs	24,331	23,372
Other pensions costs (<i>note 30</i>)	38,322	35,122
Restructuring costs	10,000	–
	<u>376,770</u>	<u>349,889</u>

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

	2013-14	2012-13
	£000	£000
Emoluments of the Principal:		
Other emoluments	270	267
Benefits-in-kind	5	5
	<u>275</u>	<u>272</u>
Pension scheme contributions	49	49
Total emoluments of the Principal	<u>324</u>	<u>321</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.

	2013-14	2012-13
	Number	Number
Average staff numbers, expressed as full-time equivalents:		
Academic/clinical, including research contract staff	3,465	3,301
Administrative and related staff	876	871
Technical	365	357
Clerical	1,018	991
Other	135	144
	<u>5,859</u>	<u>5,664</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

6. STAFF (*continued*)

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

	2013-14 Clinical academic	2013-14 Other academic and related	2013-14 Total number	2012-13 Total number
£100,001-£110,000	30	24	54	38
£110,001-£120,000	11	14	25	24
£120,001-£130,000	21	11	32	19
£130,001-£140,000	16	5	21	16
£140,001-£150,000	15	5	20	27
£150,001-£160,000	11	3	14	18
£160,001-£170,000	14	2	16	18
£170,001-£180,000	13	4	17	13
£180,001-£190,000	5	-	5	2
£190,001-£200,000	5	-	5	3
£200,001-£210,000	2	1	3	5
£210,001-£220,000	2	-	2	1
£220,001-£230,000	6	-	6	7
£230,001-£240,000	5	-	5	2
£240,001-£250,000	-	-	-	1
£250,001-£260,000	-	-	-	-
£260,001-£270,000	-	-	-	-
£270,001-£280,000	1	1	2	3
£280,001-£290,000	1	-	1	-
£290,001-£300,000	-	-	-	-
£300,001-£310,000	-	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 £100,000 for 2014 (2013 – one, £121,000).

7. TRUSTEES

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

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

No expenses were paid to or on behalf of members (2013 – £1,000, three) in respect of their Council duties. The university paid a contribution of £12,000 (2013 – £12,000) towards the costs of the Chairman's office.

8. INTEREST PAYABLE

	2013-14 £000	2012-13 £000
Bank and other loans wholly repayable within five years	-	-
Loans not wholly repayable within five years	10,692	10,689
Finance leases	1,521	1,544
	<u>12,213</u>	<u>12,233</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

9. TAXATION

	2013-14 £000	2012-13 £000
UK corporation tax payable on the profits of subsidiary companies	–	–

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

10. ANALYSIS OF 2014 EXPENDITURE BY ACTIVITY

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2013-14 Total £000	2012-13 Total £000
Academic departments	175,583	2,252	20,290	–	198,125	190,628
Academic departments costs reimbursed by NHS	15,782	–	188	–	15,970	15,531
Clinical excellence awards reimbursed by NHS	8,094	–	–	–	8,094	8,335
Academic services	22,179	1,716	10,290	–	34,185	31,575
Research grants and contracts	82,181	4,521	56,787	–	143,489	135,933
Residences, catering and conferences	5,035	1	10,199	5,221	20,456	18,429
Premises	6,878	17,339	44,907	–	69,124	66,108
Administration and central services	27,380	20	7,566	–	34,966	35,521
Staff and student facilities	4,672	522	8,993	–	14,187	13,588
General education expenditure	898	10	23,708	–	24,616	22,305
Services rendered to NHS and related bodies	5,797	–	1,700	–	7,497	9,508
Self-financing activities	10,808	–	3,077	–	13,885	19,593
Pensions costs	(131)	–	–	–	(131)	(65)
Restructuring provision	10,000	–	–	–	10,000	–
Other	1,614	565	2,175	6,992	11,346	10,394
Total per Income and Expenditure Account	<u>376,770</u>	<u>26,946</u>	<u>189,880</u>	<u>12,213</u>	<u>605,809</u>	<u>577,383</u>

The depreciation charge has been funded by:

Deferred capital grants released (<i>note 20</i>)	16,388
General income	10,558
	<u>26,946</u>

Other operating expenses include:

	2013-14 £000	2012-13 £000
External auditors' remuneration in respect of audit services:		
University financial statements	100	100
Subsidiary financial statements	5	5
United States Department of Education	90	–
External auditors' remuneration in respect of non-audit services:		
Consultancy	44	–
Certifications	10	10

Notes to the accounts *continued*

For the year ended 31 July 2014

11. TANGIBLE ASSETS

Consolidated	Land and buildings			Plant equipment	Furniture and equipment	Leased equipment	Assets in the course of construction	Total
	Freehold £000	Long leasehold £000	Short leasehold £000					
Cost								
At 1 August 2013	353,339	350,296	8,657	56,934	91,044	21,733	84,114	966,117
Additions	129	344	–	1,327	7,042	–	97,024	105,866
Transfers	3,161	3,076	20,571	1,302	–	–	(28,110)	–
Disposals	–	(2,159)	–	–	(6,515)	–	–	(8,674)
At 31 July 2014	<u>356,629</u>	<u>351,557</u>	<u>29,228</u>	<u>59,563</u>	<u>91,571</u>	<u>21,733</u>	<u>153,028</u>	<u>1,063,309</u>
Depreciation								
At 1 August 2013	67,257	67,449	5,532	9,478	76,521	10,142	–	236,379
Charge for year	5,378	5,475	2,255	4,097	8,292	1,449	–	26,946
Eliminated on disposals	–	(1,268)	–	–	(6,515)	–	–	(7,783)
At 31 July 2014	<u>72,635</u>	<u>71,656</u>	<u>7,787</u>	<u>13,575</u>	<u>78,298</u>	<u>11,591</u>	<u>–</u>	<u>255,542</u>
Net book value								
At 31 July 2014	<u>283,994</u>	<u>279,901</u>	<u>21,441</u>	<u>45,988</u>	<u>13,273</u>	<u>10,142</u>	<u>153,028</u>	<u>807,767</u>
At 1 August 2013	<u>286,082</u>	<u>282,847</u>	<u>3,125</u>	<u>47,456</u>	<u>14,523</u>	<u>11,591</u>	<u>84,114</u>	<u>729,738</u>

University	Land and buildings			Plant equipment	Furniture and equipment	Leased equipment	Assets in the course of construction	Total
	Freehold £000	Long leasehold £000	Short leasehold £000					
Cost								
At 1 August 2013	353,941	351,180	8,670	57,008	91,069	21,733	84,389	967,990
Additions	129	344	–	1,327	7,042	–	97,270	106,112
Transfers	3,169	3,088	20,630	1,302	–	–	(28,189)	–
Disposals	–	(2,159)	–	–	(6,515)	–	–	(8,674)
At 31 July 2014	<u>357,239</u>	<u>352,453</u>	<u>29,300</u>	<u>59,637</u>	<u>91,596</u>	<u>21,733</u>	<u>153,470</u>	<u>1,065,428</u>
Depreciation								
At 1 August 2013	67,257	67,449	5,532	9,478	76,521	10,142	–	236,379
Charge for year	5,378	5,475	2,255	4,097	8,292	1,449	–	26,946
Eliminated on disposals	–	(1,268)	–	–	(6,515)	–	–	(7,783)
At 31 July 2014	<u>72,635</u>	<u>71,656</u>	<u>7,787</u>	<u>13,575</u>	<u>78,298</u>	<u>11,591</u>	<u>–</u>	<u>255,542</u>
Net book value								
At 31 July 2014	<u>284,604</u>	<u>280,797</u>	<u>21,513</u>	<u>46,062</u>	<u>13,298</u>	<u>10,142</u>	<u>153,470</u>	<u>809,886</u>
At 1 August 2013	<u>286,684</u>	<u>283,731</u>	<u>3,138</u>	<u>47,530</u>	<u>14,548</u>	<u>11,591</u>	<u>84,389</u>	<u>731,611</u>

The total amount of interest included in assets above amounted to £1,740,000 (2013 – £1,740,000). Included within freehold and long-leasehold land and buildings are a number of properties that are shared with third parties where title documentation may not exist at the present time. The net book value of these are £1,666,000 and £47,154,000 respectively.

Included in the above are assets with a net book value of £416,164,000 (2013 – £409,576,000) funded by capital grants (*note 20*).

Notes to the accounts *continued*

For the year ended 31 July 2014

12. HERITAGE ASSETS

Heritage assets include a unique, internationally significant and continually expanding range of archival and printed sources, exhibits and pictures. These resources are available for use by the staff and students of King's, the wider academic community and any member of the public who has an interest in the 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 Income and Expenditure Account as incurred.

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 2014

13. INVESTMENTS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Investment in subsidiary companies at cost	–	–	–	–
Francis Crick Institute	33,916	25,581	33,916	25,581
Other fixed asset investments	125	48	125	48
	<u>34,041</u>	<u>25,629</u>	<u>34,041</u>	<u>25,629</u>

The university owns 100% of the issued ordinary share capital of College Facilities Limited (for construction services). The company is registered in England and its operating activities are in the United Kingdom.

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

14. ENDOWMENT ASSET INVESTMENTS

	Consolidated and University	
	2013–14 £000	2012–13 £000
Balance at 1 August	154,085	130,758
Additions	32,907	11,828
Disposals	(28,990)	(13,129)
Revaluation	3,187	14,535
Increase in cash balances	1,408	10,093
Balance at 31 July	<u>162,597</u>	<u>154,085</u>
Fixed interest stocks	24,428	27,033
Equities	119,339	109,630
Bank balances	18,830	17,422
Total endowment asset investments	<u>162,597</u>	<u>154,085</u>
Fixed interest and equities at cost	<u>123,926</u>	<u>116,583</u>

15. DEBTORS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	19,106	16,862	19,106	16,862
Other debtors	14,091	6,042	13,120	5,288
Research grant debtors	25,637	28,485	25,637	28,485
Research grant work in progress	16,076	14,013	16,076	14,013
Prepayments and accrued income	3,302	1,405	3,302	1,405
Amounts owed by group undertakings	–	–	7,227	–
	<u>78,212</u>	<u>66,807</u>	<u>84,468</u>	<u>66,053</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	29,522	25,518	28,021	22,203
Payments received on account	106,649	100,795	106,649	100,795
Other creditors and accruals	47,150	51,857	41,874	42,651
Social security and other taxation payable	9,211	8,532	9,211	8,532
Amounts owed to group undertakings	–	–	19	2,405
Obligations under finance leases less term deposits for repayment (<i>note 18</i>)	1,645	1,650	1,645	1,650
Current element of long-term liabilities (<i>note 18</i>)	3,804	3,615	3,804	3,615
	<u>197,981</u>	<u>191,967</u>	<u>191,223</u>	<u>181,851</u>

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

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Obligations under finance leases (<i>note 18</i>)	13,743	13,863	13,743	13,863
Term deposits for loan repayments	(4,643)	(3,933)	(4,643)	(3,933)
	<u>9,100</u>	<u>9,930</u>	<u>9,100</u>	<u>9,930</u>
Loans (<i>note 18</i>)	158,701	159,647	158,701	159,647
Total long-term borrowings	<u>167,801</u>	<u>169,577</u>	<u>167,801</u>	<u>169,577</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.

18. BORROWINGS

	Consolidated and University			
	Finance leases		Loans	
	2014 £000	2013 £000	2014 £000	2013 £000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	1,645	1,650	4,003	3,804
Between two and five years	4,936	4,949	13,350	12,667
Total between one and five years	<u>6,581</u>	<u>6,599</u>	<u>17,353</u>	<u>16,471</u>
Over five years	7,162	7,264	141,348	143,176
Total over one year (<i>note 17</i>)	<u>13,743</u>	<u>13,863</u>	<u>158,701</u>	<u>159,647</u>
Within one year (<i>note 16</i>)	<u>1,645</u>	<u>1,650</u>	<u>3,804</u>	<u>3,615</u>
	<u>15,388</u>	<u>15,513</u>	<u>162,505</u>	<u>163,262</u>

Loans with interest rates between 7.80% and 9.58% amounting to £38,701,000 are repayable by instalments falling due between 1 August 2015 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 a fixed interest rate of 4.855%, repayable on 16 May 2048.

Notes to the accounts *continued**For the year ended 31 July 2014*

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and University £000
At 1 August 2013	–
Utilised in year	(1,678)
Transferred from Income and Expenditure Account during the year	<u>10,000</u>
At 31 July 2014	<u>8,322</u>

The provisions related to reorganising costs arising in order to achieve the university's Strategic Plan.

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

20. DEFERRED CAPITAL GRANTS

	Consolidated and University		
	Funding	Other	
	Council	grants and	Total
	£000	benefactions	£000
	£000	£000	£000
At 1 August 2013			
Buildings	226,472	132,405	358,877
Plant	25,453	3,008	28,461
Equipment	<u>15,161</u>	<u>7,077</u>	<u>22,238</u>
Total	<u>267,086</u>	<u>142,490</u>	<u>409,576</u>
Cash received			
Buildings	10,681	2,943	13,624
Plant	3,459	100	3,559
Equipment	–	5,793	5,793
Total	<u>14,140</u>	<u>8,836</u>	<u>22,976</u>
Transfers			
Buildings	(1,530)	214	(1,316)
Plant	6,597	(214)	6,383
Equipment	<u>(5,067)</u>	<u>–</u>	<u>(5,067)</u>
Total	<u>–</u>	<u>–</u>	<u>–</u>
Released to income and expenditure			
Buildings (<i>note 1</i>)	(6,029)	(2,747)	(8,776)
Plant (<i>note 1</i>)	(3,012)	(255)	(3,267)
Equipment (<i>note 1</i>)	<u>(735)</u>	<u>(3,610)</u>	<u>(4,345)</u>
Total (<i>note 10</i>)	<u>(9,776)</u>	<u>(6,612)</u>	<u>(16,388)</u>
At 31 July 2014			
Buildings	229,594	132,815	362,409
Plant	32,497	2,639	35,136
Equipment	<u>9,359</u>	<u>9,260</u>	<u>18,619</u>
Total	<u>271,450</u>	<u>144,714</u>	<u>416,164</u>

Notes to the accounts *continued**For the year ended 31 July 2014*

21. ENDOWMENTS

	Consolidated and University		
	Restricted permanent £000	Restricted expendable £000	Total £000
At 1 August 2013	129,441	24,644	154,085
Additions	5,281	203	5,484
Change in value of endowment asset investments	2,989	198	3,187
Income for year	3,869	665	4,534
Transferred to Income and Expenditure Account (<i>note 5</i>)	(3,266)	(1,427)	(4,693)
At 31 July 2014	<u>138,314</u>	<u>24,283</u>	<u>162,597</u>
Endowment capital	133,091	15,462	148,553
Accumulated income	<u>5,223</u>	<u>8,821</u>	<u>14,044</u>
	<u>138,314</u>	<u>24,283</u>	<u>162,597</u>

	At 1 August 2013 £000	Additions and transfers £000	Change in market value £000	Income £000	Expenditure £000	At 31 July 2014 £000
Funds with income under £100,000						
Scholarships (162 funds)	20,966	201	471	585	(339)	21,884
Prize funds (262 funds)	6,918	12	158	194	(28)	7,254
Chairs and lectureships (176 funds)	89,156	5,271	1,699	2,535	(3,371)	95,290
Other funds (77 funds)	10,677	–	245	469	(126)	11,265
Funds with income over £100,000						
Dimbleby Endowment Fund	7,468	–	177	216	(204)	7,657
Newland-Pedley General Fund	14,466	–	335	410	(610)	14,601
Richard Dickinson USA Fund	4,434	–	102	125	(15)	4,646
	<u>154,085</u>	<u>5,484</u>	<u>3,187</u>	<u>4,534</u>	<u>(4,693)</u>	<u>162,597</u>

The Dimbleby Endowment Fund is used for cancer research.

The Newland-Pedley General Fund is used to support the Dental Institute.

The Richard Dickinson USA Fund is used to support research and training fellowships in dentistry.

Notes to the accounts *continued*

For the year ended 31 July 2014

22. RESERVES

	Consolidated	University
	£000	£000
Balance at 1 August 2013	246,391	248,238
Surplus after depreciation of assets at cost and tax	3,822	4,068
Actuarial gain on pension scheme liability	(600)	(600)
Balance at 31 July 2014	<u>249,613</u>	<u>251,706</u>
The reserves are:		
Income and expenditure reserve, which is nominally allocated to:		
Capital reserve	223,802	225,921
Departmental reserves	59,537	59,537
Revenue reserve	(33,726)	(33,752)
General reserves	<u>25,811</u>	<u>25,785</u>
Total income and expenditure reserve	<u>249,613</u>	<u>251,706</u>

Capital reserve

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

23. CAPITAL COMMITMENTS

	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Commitments contracted at 31 July	29,811	41,113	29,811	41,113
Commitments authorised but not contracted at 31 July	<u>29,237</u>	<u>70,812</u>	<u>29,237</u>	<u>70,812</u>
	<u>59,048</u>	<u>111,925</u>	<u>59,048</u>	<u>111,925</u>

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

	2013-14	2012-13
	£000	£000
Surplus before tax	3,822	9,565
Depreciation (<i>note 11</i>)	26,946	24,602
Deferred capital grants released to income (<i>note 20</i>)	(16,388)	(15,735)
Investment income (<i>note 5</i>)	(5,774)	(6,395)
Interest payable (<i>note 8</i>)	12,213	12,233
Pension scheme FRS17 income and costs	(1,390)	(65)
Surplus on disposal of tangible fixed assets	(5,963)	-
(Increase)/decrease in debtors	(11,405)	3,686
Decrease in pensions liability	(453)	-
Increase in creditors	5,828	25,211
Increase in provisions	<u>8,322</u>	<u>-</u>
Net cash inflow from operating activities	<u>15,758</u>	<u>53,102</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		2013-14	2012-13	
		£000	£000	
Income from endowments (<i>note 21</i>)		4,534	4,378	
Interest received		1,081	2,070	
Interest paid		<u>(7,832)</u>	<u>(7,900)</u>	
Net cash outflow from returns on investments and servicing of finance		<u>(2,217)</u>	<u>(1,452)</u>	
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		2013-14	2012-13	
		£000	£000	
Tangible assets acquired (<i>note 11</i>)		(105,866)	(72,807)	
Investments acquired		(8,412)	(13,611)	
Endowment asset investments acquired (<i>note 14</i>)		<u>(32,907)</u>	<u>(11,828)</u>	
Total tangible and investment assets acquired		<u>(147,185)</u>	<u>(98,246)</u>	
Receipts from sale of tangible assets		6,854	–	
Receipts from sale of endowment assets (<i>note 14</i>)		28,990	13,129	
Deferred capital grants received (<i>note 20</i>)		22,976	15,222	
Endowments received (<i>note 21</i>)		<u>5,484</u>	<u>10,069</u>	
Net cash outflow from capital expenditure and financial investment		<u>(82,881)</u>	<u>(59,826)</u>	
27. MANAGEMENT OF LIQUID RESOURCES		2013-14	2012-13	
		£000	£000	
Movement in endowment assets (<i>note 14</i>)		<u>(1,408)</u>	<u>(10,093)</u>	
Net cash movement from management of liquid resources		<u>(1,408)</u>	<u>(10,093)</u>	
28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR		2013-14	2012-13	
		£000	£000	
Borrowings repaid		(3,615)	(3,506)	
Repayment of capital element of finance leases		<u>(2,356)</u>	<u>(2,258)</u>	
Net cash outflow from financing		<u>(5,971)</u>	<u>(5,764)</u>	
29. ANALYSIS OF CHANGES IN NET CASH/(DEBT)				
	At	Cash	Other	At
	1 August 2013	flows	changes	31 July 2014
	£000	£000	£000	£000
Cash at bank and in hand	196,580	(76,719)	–	119,861
Endowment asset investments (<i>note 14</i>)	17,422	1,408	–	18,830
	<u>214,002</u>	<u>(75,311)</u>	<u>–</u>	<u>138,691</u>
Debt due within one year	(5,265)	5,262	(5,446)	(5,449)
Debt due after one year	<u>(169,577)</u>	<u>709</u>	<u>1,067</u>	<u>(167,801)</u>
Net cash/(debt)	<u>39,160</u>	<u>(69,340)</u>	<u>(4,379)</u>	<u>(34,559)</u>

Notes to the accounts *continued*

For the year ended 31 July 2014

30. PENSIONS

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

Universities Superannuation Scheme (USS)

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

	Past service	Future service
Valuation rate of interest	4.4%	6.1%
Salary scale increases per annum	4.4%	4.4%
Pensions increases per annum for 3 years	3.4%	3.4%
Pensions increases per annum after 3 years	2.6%	2.6%
Market value of assets at date of last valuation		£32,434m
Value of past service liabilities at date of last valuation		£35,344m
Deficit of assets at date of last valuation		£2,910m
Proportion of members' accrued benefits covered by the actuarial value of the assets		92%
Male members' mortality	S1NA ['light'] YoB tables – no age rating	
Female members' mortality	S1NA ['light'] YoB tables – rated down one year	
The assumed life expectations on retirement at age 65 are:	Males (females) currently aged 65	
	23.7	(25.6) years
	Males (females) currently aged 45	
	25.5	(27.6) years

The university's contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries. As part of this valuation, the trustees, after consultation with the employers, determined a recovery plan to pay off the shortfall by 31 March 2021.

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation.

Superannuation Arrangements of the University of London (SAUL)

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

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

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

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

Notes to the accounts *continued*

For the year ended 31 July 2014

30. PENSIONS (*continued*)

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

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

Local Government Pension Scheme (LGPS)

The pension scheme offered to staff at the former Chelsea College was the Local Government Pension Scheme (LGPS). The last active member left service at 31 March 2014 so a cessation valuation was carried out under LGPS Regulations to determine the final contribution payable by the university towards the funded LGPS benefits. This amount of £1,259,000 was paid in May 2014, so the university no longer participates in the scheme.

As a result of the cessation of participation in the scheme and the final contribution, the university's pension liability in respect of funded benefits in LGPS has been eliminated. This gave rise to a credit of £1,259,000 to the Income and Expenditure Account, offsetting the £1,259,000 cost of the final contribution that had accrued at the time of settlement.

The actuarial loss on settlement of £492,000 and the actuarial losses during the year of £108,000 have been debited in the Statement of Recognised Gains and Losses.

A remaining accrued liability of £453,000 in respect of unfunded pensions, payable at the current rate of £51,000 per year, is shown under Other creditors and accruals.

National Health Service Pension Scheme (NHSPS)

The university also operates the National Health Service Pension Scheme (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 contributions basis.

Total pensions costs for the university and its subsidiaries

	Consolidated		University	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Contributions to USS	29,121	26,108	29,121	26,108
Contributions to SAUL	4,901	4,615	4,901	4,615
Contributions to NHSPS	4,218	4,200	4,218	4,200
Contributions to other pension schemes	82	199	82	199
Total pensions costs (<i>note 6</i>)	<u>38,322</u>	<u>35,122</u>	<u>38,322</u>	<u>35,122</u>

Notes to the accounts *continued**For the year ended 31 July 2014*

31. RELATED PARTY TRANSACTIONS

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

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

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

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

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

32. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and University			
	Access funds		Training salaries	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balance underspent/(overspent) at 1 August	34	25	10	(6)
Funding Council and Training and Development Agency for Schools grants	284	227	2,181	2,184
Interest earned	1	1	–	–
	<u>285</u>	<u>228</u>	<u>2,181</u>	<u>2,184</u>
Disbursed to students	(212)	(212)	(2,035)	(2,168)
Administrative expenses	(9)	(7)	–	–
	<u>(221)</u>	<u>(219)</u>	<u>(2,035)</u>	<u>(2,168)</u>
Balance underspent at 31 July	<u>98</u>	<u>34</u>	<u>156</u>	<u>10</u>

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