

# Financial Statements

*for the year to 31 July 2015*



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## Chairman's foreword

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I am pleased to present the Report and Accounts for King's College London for the year ended 31 July 2015. There is a financial surplus of £57.2 million, but this figure includes a number of non-recurring items. There was a gain on property disposal of £17.6 million and a grant from HMRC in relation to research & development expenditure tax credits of £13.6 million. There was nevertheless a surplus of £20.3 million on normal current activities, which is a great credit to all those working at the institution. As I have said in previous reports, it is essential that we generate surpluses each year in order to help finance our ambitious capital expenditure budget over the next five years. This is especially true as we no longer receive capital grants from the government.

Demand for places at King's remains high both in the United Kingdom and from abroad and we have maintained our high entry requirements. Our new Principal, Professor Edward Byrne, has reviewed our academic strategy with the title 'King's Futures'. We will be launching a number of new initiatives, one of which is our intention to develop a distinctive King's Business School.

The King's Futures programme aims to expand the student numbers by about 5,000 by 2020. We have recently secured long leases on four major buildings in the Strand including Bush House, which had previously been occupied by the BBC. This, with Strand House, King House and Melbourne House, constitutes an extra 300,000 square feet of space at our Strand Campus. We consider this acquisition a once-in-a-generation opportunity for King's to acquire high-quality and prestigious space adjacent to our original building where King's was founded in 1829. It is particularly appropriate that the former headquarters of the BBC World Service should now be occupied by one of the country's leading universities. The famous inscription over the doorway, 'To the friendship of English speaking peoples', is an apt reflection of King's international alliances, which applies not only within English-speaking countries, but across the whole world. We now welcome students from well over 100 countries to our courses.

The results of the 2014 Research Excellence Framework were announced in December 2014 and confirmed King's as a world-leading research university. We also had one of the highest increases in research funding in the Russell Group. Several of our academic departments were ranked first in their sector.

In June 2015 HRH The Princess Royal opened the Maurice Wohl Clinical Neuroscience Institute at our Denmark Hill Campus. The new institute will be one of the

leading centres in the world for neuroscience research. The institute will enable leading scientists to undertake research in Alzheimer's disease, Parkinson's, motor neurone disease, depression, schizophrenia, epilepsy and stroke.

Finally, I am pleased to report that our fund-raising has continued to be successful, with about £70 million of additional funds, grants and pledges being secured during the year. The appeal was originally launched with the target of raising £500 million over the 10-year period to 2015. This target has been exceeded and the total stands at year-end at £591.3 million. We are very grateful to all our benefactors and supporters who have given so generously.

I conclude by thanking Professor Edward Byrne, the five Vice-Principals and all academic and non-academic staff in the university for all their commitment, innovation and hard work over the past year. King's continues to improve, and our determination to achieve ever-higher standards is undiminished.

The Duke of Wellington  
*Chairman of Council*

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# Council and Council committee membership 2014–15

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## Council

The Duke of Wellington MA OBE DL *[Chairman]*  
 Professor Edward Byrne AC *[President & Principal]*  
 Ms Nadine Almanasfi *[from 1 August 2015]*  
 Dr Claire Craig  
 Dr Angela Dean  
 Mr Sebastiaan Debrouwere *[until 31 July 2015]*  
 The Hon Sir David Foskett FKC  
 Mr Paul Goswell *[from 1 August 2015]*  
 Rt Revd Christopher Hill, Bishop of Guildford *[until 31 July 2015]*  
 Professor Brian Holden Reid FKC  
 Mr John Kampfner *[until 31 July 2015]*  
 Ms Ros King  
 Professor Sir Robert Lechler KBE FKC  
 Baroness Morgan of Huyton  
 Mr Chris Mottershead  
 Professor Karen O'Brien  
 Mr James Ritblat FKC *[until 31 July 2015]*  
 Sir Nigel Sheinwald  
 Mr Andrew Summers CMG  
 Mr Rory Tapner FKC *[Deputy Chairman & Honorary Treasurer]*  
 Professor Evelyn Welch  
 Professor The Baroness Wolf CBE

## Chairman's Committee

The Duke of Wellington MA OBE DL *[Chairman]*  
 Professor Edward Byrne AC *[President & Principal]*  
 Mr Paul Goswell *[from 1 August 2015]*  
 Professor Sir Robert Lechler KBE FKC  
 Mr Chris Mottershead  
 Professor Karen O'Brien  
 Mr James Ritblat FKC *[until 31 July 2015]*  
 Sir Nigel Sheinwald  
 Mr Andrew Summers CMG  
 Mr Rory Tapner FKC *[Honorary Treasurer]*  
 Professor Evelyn Welch

## Finance Committee

Mr Rory Tapner FKC *[Chairman & Honorary Treasurer]*  
 Professor Edward Byrne AC *[President & Principal]*

Mr Peter Clarke *[from 1 April 2015]*  
 Mr Tony Collyer  
 Mr Ian Creagh FKC  
 Dr Angela Dean  
 Mr Michael Kier *[until 13 November 2014]*  
 Mr Stephen Large  
 Mr Richard North  
 Mr Andrew Scott *[from 1 April 2015]*  
 Mr Michael Urmston  
 Professor The Baroness Wolf CBE

## Audit and Compliance Committee

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

## Investment Subcommittee

Mr Patrick Disney FKC *[Chairman until 15 December 2014]*  
 Professor Edward Byrne AC *[President & Principal]*  
 Dr Angela Dean  
 Mr Rob Gambi *[from 1 April 2015]*  
 Mr John Harrison  
 Mr Patrick Johns  
 Mr Stephen Large  
 Mr Mark Laurence *[Acting Chairman from 16 December 2014 until 31 July 2015]*  
 Mr David Morgan *[Chairman from 1 August 2015]*  
 Mr David Potter FKC  
 Mr Simon Pryke *[from 1 April 2015]*

## Estates Strategy Committee

Mr James Ritblat FKC *[Chairman until 31 July 2015]*  
 Professor Edward Byrne AC *[President & Principal]*  
 Mr Ian Creagh FKC  
 Mr David Cripps  
 Mr Ian Ellis  
 Mr Paul Goswell *[Chairman from 1 August 2015]*  
 Mr John Kampfner *[until 31 July 2015]*  
 Mr Stephen Large  
 Professor Sir Robert Lechler KBE FKC  
 Mr Ralph Luck  
 Mr Daniel Peltz FKC  
 Professor Evelyn Welch

# Operating and financial review for the year ended 31 July 2015

## Key facts

|   | 2014–15  | 2013–14 |
|---|----------|---------|
| Surplus/(deficit) on ordinary activities  | £43.8m   | £(2.1)m |
| Total income  | £684.2m  | £603.7m |
| EBITDA <sup>1</sup>   | 9.9%     | 3.4%    |
| Historical cost surplus   | £57.2m   | £3.8m   |
| Historical cost surplus as a % of income  | 8.4%     | 0.6%    |
| Discretionary reserves as a % of income   | 48.7%    | 45.4%   |
| External borrowings as a % of income  | 44.7%    | 28.7%   |
| Net cash flow from operating activities as a % of income                                    | 9.9%     | 2.6%    |
| Net liquidity days  | 180 days | 76 days |
| General funds as a % of expenditure   | 35.4%    | 8.3%    |
| Staff numbers, average headcount  | 5,948    | 5,859   |
| Student numbers, July return to the Higher Education Statistics Agency                      | 28,750   | 27,646  |
| Undergraduate student satisfaction <sup>2</sup>   |          |         |
| with teaching   | 86%      | 88%     |
| with course overall   | 81%      | 83%     |
| Undergraduate entrants' average entry tariff points (based on best 3 A-levels) <sup>3</sup> | 2014     | 2013    |
|   | 355.3    | 357.3   |
| Student employability <sup>4</sup>  | 95.1%    | 94.8%   |
| Research: new and renewed awards (forward order book)                                       | £186.8m  | £226.5m |
| Fund-raising: new cash and pledges for the university and partners                          | £69.6m   | £63.4m  |

## Operating highlights

2014–15 has been a busy year, starting with the launch of King's Futures, a strategy refresh and transformation programme launched by the President & Principal. It seeks to build on the success of the past 10 years, to consolidate our position as a top-20 global university, to help King's

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

<sup>2</sup> Percentage of respondents whose experience met or exceeded expectations.

<sup>3</sup> Based on unconditional firm UCAS applicants; information one year in arrears.

<sup>4</sup> UK and EU undergraduates in work or further study six months after completing their course; these indicators are one year in arrears, as 2014–15 data are not available until December 2015.

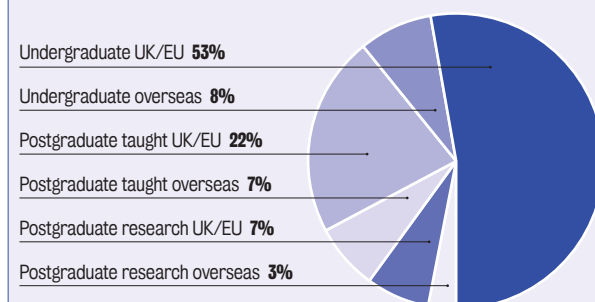
adapt to changing circumstances and ultimately to ensure that it delivers outstanding research and education, commensurate with its status as one of the world's leading universities. King's Futures will continue to focus on issues of financial sustainability, which have been at the heart of recent planning, and will explore a range of new academic initiatives including Business, Technology and distance learning at scale. It will also investigate potential for growth in the Natural Sciences and greater internationalisation of the student experience and cohort.

Some of these initiatives, in particular the planned development of a business school, have implications for the availability of high-quality academic space; to support the expected growth, King's has acquired long-term leases for four iconic, recently refurbished buildings located on the Strand including Bush House, formerly home to the BBC World Service. Now known as the Bush House Buildings, they are initially leased to the university for 50 years. Acquiring the Bush House Buildings will create a dynamic campus right in the heart of London by combining two prime central London locations: Aldwych and the Strand. These prestigious premises will provide much-needed additional space for new teaching facilities and student study, as well as academic and social areas. Occupancy will start on a phased basis in autumn 2016, and once the four main properties are fully in use, the Bush House Buildings will give approximately 300,000 square feet of extra space.

The senior management team considered a range of financing options in connection with its estate investment aspirations, and as the price of long-term gilts fell it took the decision to raise £135m in the private placement market. The loan notes, due 2035–45, were issued in May 2015 and were taken by a number of investors from both the UK and the United States.

Shortly after the financial year end the university signed an agreement with a commercial partner to develop distance learning postgraduate programmes. These are expected to attract an additional 3,000 students to study at King's over the next three years and the first programme, likely to be

### Students by category, July 2015



As reported in the July 2015 return to the Higher Education Statistics Agency

based around psychology and neuroscience themes, will be launched in March 2016.

The outcome of the Research Excellence Framework (REF) was announced in December 2014. It reported some outstanding results for King's, which will be reflected in the research funding the university will receive from the Higher Education Funding Council for England (HEFCE) in respect of 2015–16. This is likely to be some 14% higher than the 2014–15 figure included in these accounts.

King's had some disappointing results from the annual National Student Survey (NSS) for 2015, where the overall satisfaction ratings (percentage of final-year undergraduate respondents whose experience met or exceeded expectations) fell back to the 81% level reported in 2012–13. There were a number of special circumstances that may have contributed to this that are not expected to recur. An improvement programme has been put in place including investments in technology, teaching and social facilities and also in careers, counselling, library facilities and training. Despite the overall result there were eight strongly performing departments, all reporting satisfaction rates in excess of 90%.

The Fund-raising & Supporter Development team brought in £69.6m of new cash, pledges and directed research grants during the year. The 'World questions | King's answers' campaign was originally launched with the target of raising £500m over the ten-year period to 2015, and this target has been exceeded, with the campaign total standing at £591.3m at the year end.

The credit rating of King's remains strong, at Standard & Poor's AA, which reflects its good reputation for research, high student demand and cash reserves.

King's reported a financial surplus of £57.2m for the year and a surplus on ordinary activities of £43.8m. The financial surplus included a number of non-recurring items, notably a £17.6m surplus on disposal of property and net £18m of research tax credits. Research & Development Expenditure Credit (RDEC) is a scheme administered by HM Revenue & Customs and designed to encourage innovation through increased spending on certain types of

research and development. King's has included £17.8m of research and development income and £(4.2)m tax on this income in respect of RDEC claims in these accounts for the 28 months to 31 July 2015; the gross income is shown within research income. The scheme is not available to universities for expenditure incurred on or after 1 August 2015.

King's made planned disposals of property during the year, including the southern part of the Hampstead student accommodation and the Rectory, a small student residence in Lambeth. These disposals resulted in the one-off gain of £17.6m mentioned above. In addition the university exchanged contracts for the sale of the northern part of the Hampstead Campus, which will complete during the course of 2015–16. These property disposals form part of King's funding strategy and will enable the university to continue to invest according to plan while the operating returns from the King's Futures initiatives gain momentum.

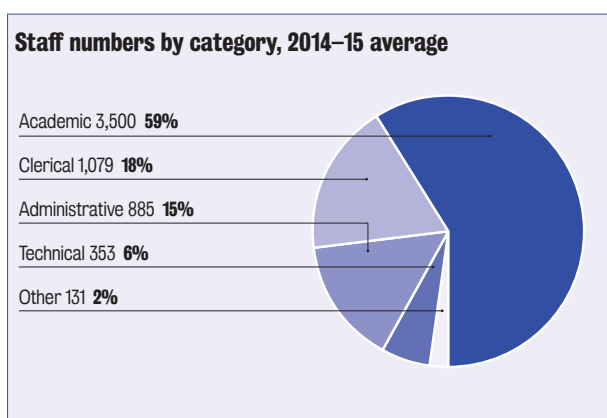
The underlying operating surplus for 2014–15 was £20.3m. This is a pleasing but modest surplus required to help finance capital expenditure, in particular teaching facilities and technology, as the government no longer provides capital grants.

Research income tends to lag between 12 and 18 months behind the initial award, so in any one year it generally reflects the level of awards granted during the previous year. Accordingly, research income increased by approximately 12.5% this year, reflecting a strong performance in obtaining new awards in 2013–14. The growth in research income is expected to return to more modest levels in 2015–16.

The university has embarked on an ambitious and transformational programme, with the additional financial commitments this requires, in order to help King's consolidate its position as a global top-20 university. The financial surplus for 2015–16 will contribute to funding the academic strategy for expansion in carefully selected areas and the related investment increases in both people and estate this will entail. The high level of surplus will not continue, and financial deficits are forecast over the next three years as the King's Futures programme develops before delivering a positive financial contribution.

## Research

Each year the UK higher education funding bodies allocate about £1 billion of research funding to UK universities, based on the quality and volume of each university's research as identified in periodic independent reviews. At King's the most recent was the 2014 Research Excellence Framework (REF) exercise. As well as informing funding allocations, the REF provides accountability for public investment in research, demonstrates its benefits and provides important reputational yardsticks and benchmarking information about the research performance of UK universities.



The results of the 2014 REF were announced in December 2014 and confirmed King's as a world-leading research university.

In terms of comparison across the sector, King's had some outstanding successes, notably:

- Law is 1st in the country for quality of research and 7th for power (up from 19th and 14th respectively); 'power' takes into account both the quality and the quantity of research activity
- Communication, Cultural and Media Studies and Digital Humanities came 1st for power and 8th for quality; it scored 100% at 4\* or 'world-leading' ranking for research environment
- Politics and International Studies was rated 1st for power
- Education achieved 2nd for quality and 4th for power
- Psychology, Psychiatry and Neuroscience came 2nd for power and achieved 100% at 4\* for research environment
- Philosophy is 3rd for quality and 3rd for power
- Clinical Medicine ranks 3rd for quality
- History is 5th for quality and 7th for power
- General Engineering (Imaging Sciences) is 5th for quality and submitted twice the number of staff it had in 2008.

The research funding King's receives from HEFCE in respect of 2015–16 will be based upon the excellent REF results and will be some 14% higher than the 2014–15 figure. King's saw the second-highest increase in research funding across the Russell Group universities.

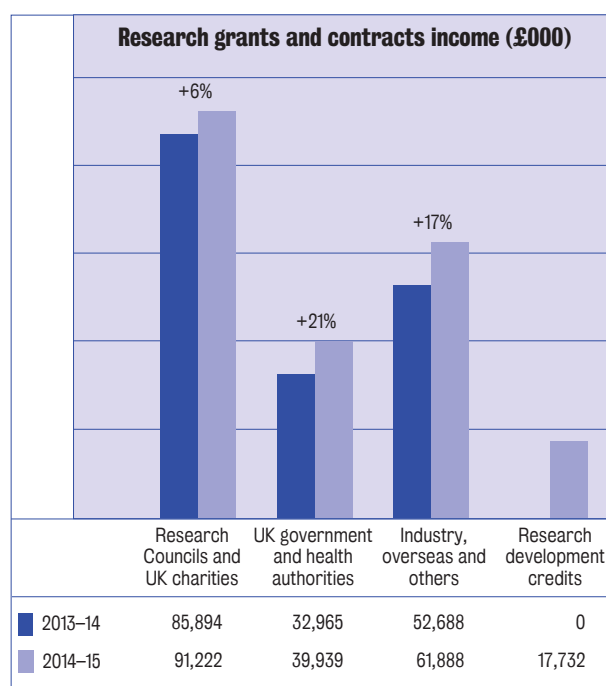
Research income has been rising steadily over the past five years, but the value of new awards (the forward order book) has fallen against 2013–14 levels.

| Research awards and renewals | 2014–15<br>£000 | 2013–14<br>£000 | Increase/<br>(Decrease)<br>£000 |
|------------------------------|-----------------|-----------------|---------------------------------|
| Arts and Sciences faculties  | 35,549          | 34,447          | 1,102                           |
| Health faculties             | 151,156         | 192,007         | (40,851)                        |
| Other                        | 84              | –               | 84                              |
| <b>Total King's</b>          | <b>186,789</b>  | <b>226,454</b>  | <b>(39,665)</b>                 |

This in part reflects an incredibly successful year in 2013–14, and it was expected that the value of awards would return to a more sustainable level in 2014–15. The Faculty of Life Sciences & Medicine awards were within 5% of the previous year, a creditable performance against a backdrop of reducing funding levels across the sector. In line with this, while Medical Research Council (MRC) funding for King's rose to third place this year in terms of share of value awarded, the university's overall value of new awards decreased due to a reduction in total UK-wide MRC spending. Additionally, changes to the European Commission Framework system

for grant applications have resulted in delays in the announcement of awards. These timing differences are expected to even out over the coming year or so.

As mentioned above, research income for the year includes a one-off £17.8m receipt from HM Revenue & Customs in respect of the Research & Development Expenditure Credit Scheme. Adjusting for this, underlying research income increased by approximately 12.5%, reflecting a strong performance in obtaining new awards in 2013–14. To ensure that a healthy level of income continues to flow into all parts of the university, a Research Strategy and Development Office has recently been created which will work with faculties to improve research performance, focused on the largest strategic awards, and will also define a research strategy for the university more clearly. The High Performance Culture workstream – part of the King's Futures programme – will also work to define expected levels of individual contribution, and the support needed for these to be achieved.



Some notable achievements during the year included the following:

- A new Clinical Research Facility on the Denmark Hill Campus, officially opened in 2014 by Chief Medical Officer Professor Dame Sally Davies. The first of its kind in the world, it is uniquely positioned to draw on research and treatment expertise across physical and mental healthcare. It has been designed specifically to support clinical trials in mental health and neurosciences, while also enabling pioneering research in specialist fields including haemato-oncology, cardiovascular medicine and diabetes.



- A £10m award from HEFCE's UK Research Partnership Infrastructure Fund to invest in equipment capable of imaging from the earliest disease-critical molecular events in living nerve cells, grown in the laboratory, right up to the whole brain tissues of patients. Generating a continuous pipeline of research, this will advance the knowledge of disease mechanisms, reveal new avenues for therapy and test innovative therapeutics. The research will be based around the Neuropsychiatric Research Hub in the new Maurice Wohl Clinical Neuroscience Institute, where a unique concentration of expertise and technology will catalyse collaboration with other centres of excellence and build lasting partnerships with the pharmaceutical and biotechnology industry. It will also inspire the next generation of neuroscientists and ensure that the UK maintains its position at the forefront of neuroscience research.
- A £7.4m award from the National Institute for Health Research to bring together a collaboration of local NHS providers and commissioners, universities, other local organisations and the relevant Academic Health Science Centre (AHSC) to conduct applied health research across the NHS and translate research findings into improved outcomes for patients.
- A total of £7.3m of Wellcome Trust Investigator Awards. Given to just a handful of researchers each year, these grants aim to support those with an excellent scientific track record in innovation and advances in their field of study.
- An award of £4.8m by the Engineering and Physical Sciences Research Council to Anatoly Zayats, Professor of Physics at King's, for a research project into reactive plasmonics – the study of the interaction between the electromagnetic field and free electrons in a metal – and its applications in such areas as data storage and green energy.
- Industry funding of £3m from the pharmaceutical company Bristol-Myers Squibb for a clinical trial of a new product for the prevention of rheumatoid arthritis.
- MRC funding of £2.4m for a new Single Cell Functional Genomics Facility at Guy's, which will be used by a wide variety of researchers.
- £2.3m from the Department of Health to the Social Care Workforce Research Unit to develop research knowledge and disseminate the findings to policymakers, service providers, employers and social-care service-user and carer groups.
- A £2.2m award for Phase 2 of a strategic project supported by the Guy's and St Thomas' Charity, which uses innovations in imaging to improve outcomes and health-system efficiency.
- A £2.2m award from the British Heart Foundation to fund a professorship in the Cardiovascular Division.
- An additional £2.1m of MRC funding to continue work examining factors influencing development and educational achievement.
- A £2m award from the European Commission focused on monitoring and improving health expectancy by targeting frailty among older people in middle-income countries.
- £2m for a King's-led, MRC-funded Stratified Medicine Consortium which aims to determine the best-matched treatment for every patient suffering from hypertension.
- £1.8m from the European Commission for a major research project into the values of the French language and its literature in the European Middle Ages.
- £1.4m from the European Commission for research into assembling biomembranes. This project represents the first major award for the new Chemistry Department and uses cutting-edge chemistry to examine issues of fundamental importance to living systems.

#### Teaching and learning

| Student numbers                | July 2015 | July 2014 | Change |
|--------------------------------|-----------|-----------|--------|
| Undergraduate UK/EU            | 15,286    | 14,170    | 1,116  |
| Undergraduate overseas         | 2,332     | 2,241     | 91     |
| Postgraduate taught UK/EU      | 6,369     | 6,641     | (272)  |
| Postgraduate taught overseas   | 2,022     | 1,776     | 246    |
| Postgraduate research UK/EU    | 2,019     | 2,073     | (54)   |
| Postgraduate research overseas | 722       | 745       | (23)   |
| Total                          | 28,750    | 27,646    | 1,104  |

King's had a successful 2014–15 student admissions cycle with many areas exceeding targets, particularly in the Arts and Sciences faculties and at the postgraduate taught level of study. 2015–16 will see the graduation of the first students who entered under the higher fees regime introduced in 2012–13. It might have been expected that the greater levels of student debt associated with the current regime would adversely affect application rates for postgraduate study in 2015–16, but so far there is no cause for concern.

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

| National Student Survey: satisfaction scores | 2015 (%) | 2014 (%) | 2013 (%) |
|--|----------|----------|----------|
| Teaching on my course                        | 86       | 88       | 86       |
| Assessment and feedback                      | 61       | 62       | 61       |
| Academic support                             | 75       | 77       | 75       |
| Organisation and management                  | 74       | 76       | 74       |
| Learning resources                           | 83       | 87       | 83       |
| Personal development                         | 78       | 80       | 78       |
| Overall satisfaction                         | 81       | 83       | 81       |

Results for NSS 2015 were disappointing, slipping back to the levels of 2013. A number of exceptional issues contributed to this, including a major IT incident with the timetable. Nevertheless, the underlying poor results are unacceptable and a wide range of initiatives has been put in place across a number of areas: from increased investment in technology and the estate to the development of new academic skills centres, extended library opening times, careers support and counselling services.

Within the overall results there were, however, some notably strongly performing departments, with Classics, Dentistry, Film Studies, Law, Neuroscience, Pharmacology, Pharmacy and War Studies all reporting satisfaction rates in excess of 90%. It was also pleasing to note a 9% improvement in satisfaction reported by students on the undergraduate medical degree, reflecting the impact of implementing the findings of a major review of the programme. Student experience continues to be the highest priority at King's.

The results of the national Postgraduate Taught Experience Survey are not publicly available, but it was good to note that the overall satisfaction levels of students on King's programmes are above the average for the Russell Group.

King's again performed particularly well in terms of the number of graduates who had moved into work or study six months after graduation, as measured by the Higher Education Statistics Agency Destinations of Leavers from Higher Education Survey. It showed that at least 94% of King's graduates from all levels of study were in work or study at that point.

In addition, the university has seen a rise in the numbers of UK-domiciled, first-degree graduates moving directly into professional roles regarded as 'graduate level' or into higher-level/professional study. This measure of 'graduate prospects' is used by all of the domestic university league tables, and the latest data reveal a 5.5% increase for King's this year to 85.7% overall, placing King's sixth in the Russell Group for graduate prospects.

King's Maths School, which opened in September 2014, is a state-funded school for mathematicians aged 16 to 19. In June 2014 the school's first cohort sat AS examinations and subsequently reported excellent results, with over 97% of students attaining an A grade in Maths. This initiative is part

of the government's scheme to improve Maths education in the state sector and increase the number of people studying Science, Technology, Engineering and Maths at top-rated universities.

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 2016–17 access agreement. Its most recent monitoring report to OFFA, in January 2015, covered the year 2013–14, when the university made good progress against ambitious targets both for enrolment of full-time first-degree entrants on HEFCE-funded programmes from state schools and for enrolment of students from classes 4 to 7 in the National Statistics age-adjusted Socio-Economic Classification system (NS-SEC). King's is also on track to meet its targets for the number of entrants from its K+ programme of activities and academic workshops for sixth-formers in non-selective state schools or colleges in Greater London, which helps support their university application and provide the skills needed once they enrol. In the government's 2015 autumn statement, it was announced that non-repayable maintenance grants for lower-income students in England and Wales are to be replaced by loans from September 2016; particularly in the case of widening participation students, this could dampen demand.

King's has developed a number of innovative and effective programmes in the light of employer and government support for initiatives that help foster and capitalise student entrepreneurship, including the following:

- King's Graduate School supports the Lion's Den Challenge, a scheme that aims to make the business ideas of those at King's a reality through workshops, mentorships and prize money.
- Enterprise Connect promotes entrepreneurship by hosting a regular series of free activities such as seminars, workshops and networking events for members of staff and students at King's and also members of the wider entrepreneurial community.
- King's Student Entrepreneurship Institute is the university's flagship hub offering support for King's student entrepreneurs throughout their start-up experience. It offers assistance with idea development, training in business and strategic planning, incubation and enterprise expansion.
- King's has one of the largest and most active student business clubs in the country.

#### Partnerships

The Francis Crick Institute (the Crick) was established in November 2010 and is a unique partnership between the MRC, Cancer Research UK, the Wellcome Trust and

three universities – King’s, University College London and Imperial College London – with a distinctive vision for biomedical research. In April 2015 the MRC’s National Institute for Medical Research and Cancer Research UK’s London Research Institute also became part of the Crick. It aims to play a key role in understanding the causes of disease and in finding new ways to prevent or treat serious illnesses, bringing together researchers from the Institute and its partner universities to develop innovative ideas and to undertake new, collaborative projects.

The Crick is to be housed in a purpose-built development in Paddington Basin which, after some delays in construction, is now likely to be ready for occupation in late 2016. It has established an interim faculty committee whose remit includes advising on the implementation of the Crick Strategy, further development of institute operations and assisting with senior scientific recruitment. The Crick is currently responsible for over 1,000 members of staff working across five different locations: three research institute sites, the Crick head office and the Paddington Basin construction site. Its first intake of 45 PhD students started in September 2014, and from 2016 23 King’s research staff will be seconded to the Crick for periods of between three and six years, thereafter returning to the university.

As one of England’s six Academic Health Science Centres (AHSCs) accredited by the Department of Health, King’s Health Partners (KHP) brings together a world-leading research-led university (King’s) and three successful NHS Foundation Trusts (Guy’s and St Thomas’, King’s College Hospital, and South London and Maudsley). The role of AHSCs is to align NHS organisations and their university partners in world-class research, health education and patient care, and to improve healthcare by increasing the translation of discoveries from basic science into patient benefits.

During the past four years the leaders of the three London AHSCs (King’s, Imperial College London and University College London) have been meeting regularly to discuss how to deliver more by working together. These conversations have led to the formation of MedCity, a partnership between the three AHSCs and the Greater London Assembly. The goal of MedCity is to increase commercial inward investment into all parts of London’s biomedical sciences, from biotech and diagnostics to medical devices and digital health.

Advances in diagnostics, therapeutics and medical devices often arise from a close working relationship between academia and biotechnology, pharmaceutical and medical technology companies. King’s has many such partnerships, as evidenced by its success in winning more Innovative Medicine funding from the EU than any other UK institution, by its participation in Pfizer’s Centre for Genetic

Medicine and by the strong links between its divisions of Imaging Sciences and Biomedical Engineering with Philips Electronics UK and Siemens.

King’s already offers distance learning programmes in Addiction Studies, Dentistry, Law and War Studies. It has experimented with two successful Massive Open Online Courses (MOOCs) in ‘Understanding Drugs and Addiction’ and ‘Causes of War’. With more students requesting blended learning or fully online programmes, part of King’s Futures’ remit is to explore developing more strategic capability around distance learning, enabling a broader range of materials to be delivered online. In autumn 2015 a partnership agreement was signed with a proven platform provider for distance learning, in order to offer more programmes to a wider student community across the globe. The first courses are likely to be launched in mid-2016, and it is expected that the number of students registered with King’s online learning will increase to around 3,000 by 2020.

King’s has over 300 partnership agreements with leading, like-minded institutions across the globe. By entering into these arrangements with the best universities it can pool expertise to develop influential research, tap into specific knowledge from a certain field of study or geographic region and create opportunities for King’s students to get invaluable experience living and studying in a new environment as part of their degree.

The majority of partnerships are managed at faculty or departmental level, to make the activity between the two institutions as beneficial as possible for the academics and students involved. King’s also has a small number of university-wide partnerships with institutions whose wider goals and activity are closely aligned with its own at a number of levels. These organisations are among the best in their regions, and they create opportunities for a large range of joint activities across different faculties.

The types of partnership vary depending on the needs of students and academics from both institutions but can include: joint- and dual-degree partners; student mobility; and exchange partners. Exchange agreements allow King’s students to spend a summer, a semester or a year at a similarly prestigious university on one of five continents. Students on joint programmes in Law, Nursing and a number of other studies can split their degree between London and world-class cities like Paris, New York and Hong Kong. Other partnerships are based around research collaboration, academic and professional services staff exchanges and joint workshops, symposia and conferences.

#### Undergraduate

- Columbia University, New York
- University of Hong Kong
- Humboldt University, Berlin
- Paris-Sorbonne University (Paris IV).

#### Masters

- University of Adelaide
- University of Bologna
- Católica Global School of Law, Lisbon
- University College Dublin
- ESSEC Business School, Paris
- Freie Universität Berlin
- Georgetown University, Washington DC
- Humboldt University, Berlin
- University of Luxembourg
- University of Malta, Msida
- University of Neuchâtel
- Paris Diderot University (Paris VII)
- University of Rome III
- University of Rome Tor Vergata
- Tallinn University
- University of Vienna
- Virginia Commonwealth University, Richmond
- University of Zürich.

#### PhD

- University of Göttingen
- University of Hong Kong
- Humboldt University, Berlin
- Paris-Sorbonne University (Paris IV)
- University of Sao Paulo
- National University of Singapore
- University of Stuttgart.

#### International

King's launched a new International Strategy in June 2015, integrating with the work underway across the King's Futures programme and beyond. It sets out the university's direction in three areas: collaborating with global partners; supporting and encouraging international mobility among staff and students; and firmly establishing King's as a global thought-leader. Four global research themes are highlighted: defence & security, culture & identity, global health and sustainable cities. Through strong partnerships and excellence in research and teaching, King's is recognised as a thought-leader on interdisciplinary themes of global significance.

By cultivating global partnerships, King's academics have been producing significant research that changes lives. Most visibly, over the past year the King's Sierra Leone Partnership has been working with West African institutions to tackle the Ebola crisis. Research with universities in Canada and Hong Kong has revealed unknown truths about air pollution with real potential to change the way megacities are built, while Digital Humanities' involvement with over 20 partners on the European Holocaust Research Infrastructure project has resulted in the launch of Europe's largest digital Holocaust archive. Academics from the Dickson Poon School

of Law are shaping thinking at national level on topics from post-conflict zones in Africa to the definition of marriage in Europe and Latin America.

King's is heavily involved in cancer research with institutions in, among other places, China, Chile and India. Work in female depression and HIV as part of the Division of Women's Health is improving lives both in the local, multicultural, inner-city population of London and worldwide. In Pharmaceutical Science, academics and students are carrying out research with the University of Sao Paulo in Brazil to discover potentially revolutionary new antibiotics using the venom from jellyfish stings.

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

The joint institute for medical research established with Peking University Health Sciences Center (PUHSC) in late 2013 now includes research opportunities in cancer, cardiovascular care, dentistry and mental health. In summer 2015, King's hosted the second King's-PUHSC-Keio University Tokyo summer research institute for the best postgraduate students from the three universities.

King's partnership with the National Autonomous University of Mexico (UNAM) saw the UNAM Centre for Mexican Studies established at the Strand Campus in summer 2015, facilitating joint research in Mexican politics, history, economy and culture. As the largest university in the Americas, with over 300,000 students, UNAM will further strengthen this international collaboration with a dedicated space for King's at their Mexico City Campus. The links will allow academic staff and students to exchange knowledge and ideas and encourage new joint research opportunities. In 2015 King's is also acting as Lead UK Co-ordinator for a new Visiting Chair Mexico-UK programme, organising the exchange of academics between 12 UK Russell Group institutions and 12 top Mexican universities.

King's provides an internationalised curriculum and student experience which creates global citizens connected to international networks and employable anywhere in the world. It is a popular study destination for Chinese students thanks to the university's commitment to the international student experience and the wide range of courses it offers. King's is currently home to almost 900 Chinese students on diverse courses including Business and Economics, Health and Culture, Media and the Creative Industries.

Global health and global affairs have been identified as areas for collaboration with Shanghai Jiao Tong University

(SJTU), one of China's most selective and prestigious universities, which has more than 30,000 students and is over a century old. Discussions are underway to establish a dual Master's programme between SJTU's School of International and Public Affairs and King's School of Global Affairs in order to create globally focused courses in politics and economy.

More than 1,200 King's students have travelled far and wide as part of their studies during the past 12 months – visiting countries from America and Australia to Hong Kong and French Polynesia – while King's welcomed its largest-ever cohort of Study Abroad students from over 30 countries. During successful summer school programmes in the UK and in India, the number of international students at King's passed 10,000, giving its campuses a truly global feel.

### 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.

The King's Futures programme plans for an expansion in student numbers of about 5,000 by 2020 across three main disciplines: science, technology and business. As mentioned above, to support this growth King's is leasing four recently refurbished properties in the Bush House Buildings, next to its Strand Campus, for an initial term of 50 years. The properties include Bush House (formerly occupied by the BBC World Service), Strand House, King House and Melbourne House. This development will give King's great flexibility both to expand in line with its ambitions for growth and to minimise disruption as the existing Strand estate is redeveloped and upgraded. Occupation will start on a phased basis from late 2016, and once King's takes full occupation of the four main properties, the Bush House Buildings will provide approximately 300,000 additional square feet for student study, social space, new teaching facilities and academic accommodation.

On 30 June 2015 HRH The Princess Royal opened the Maurice Wohl Clinical Neuroscience Institute at King's, one of the world's leading centres for neuroscience research. Princess Anne met scientists who are undertaking groundbreaking research into Alzheimer's disease, Parkinson's, motor neurone disease, depression, schizophrenia, epilepsy and stroke. Bringing together more than 250 researchers and clinicians from 14 different sites across three campuses, and

fitted with cutting-edge research equipment, the Institute will accelerate efforts to understand and develop treatments for patients affected by these devastating disorders. This has been a £42m project to provide state-of-the-art new premises for the Institute, built by King's together with the King's College Hospital and South London and Maudsley NHS Trusts.

September 2014 saw the re-opening of the Champion Hill Residence (714 beds) in Denmark Hill after a substantial programme of improvement and modernisation. Students were involved in the design of the facilities, expressing their requirements and preferences; they benefit from a new design specification for the study bedrooms, self-catering kitchen and dining facilities as well as the social areas in the cluster-style layout. In addition, student computing and printing services, high-speed wireless connectivity and café and bar facilities have been introduced. Champion Hill Residence was recently voted the best student house at the College and Universities Business Officers awards.

King's is planning to develop the former Mulberry Business Park site at Canada Water to create 770 new student rooms, office space, affordable housing, retail units, a healthcare centre and landscaped public space. The final construction contract documentation is being prepared and works are expected to be completed during the 2018–19 academic year. Canada Water is conveniently located in Zone 2, 10 minutes by tube to central London. It is two tube stops from Guy's Campus and four from Waterloo; just four overground stops from both Denmark Hill and the Honor Oak Park Sportsground.

On 4 August 2015, shortly after the year end, King's formally opened its new Service Centre in custom-built premises at Quintdown Business Park, Quintrell Downs, near Newquay. The facility provides skilled IT jobs for 25 people from Cornwall, with 50 jobs expected to be created by the end of the year, boosting the local economy by more than £1m over the next 12 months. Managing all of the first-line IT support required by the university and its 28,750 students and 5,948 staff, the new King's Service Centre has space to accommodate a total of 100 employees. It is already an IT training centre of excellence, creating four skilled apprenticeship opportunities. King's chose Cornwall after a competitive pitch with other regions which was won by Cornwall Development Company's inward investment service, Invest in Cornwall. The Cornwall & Isles of Scilly Local Enterprise Partnership supported the project with an investment from its Business Catalyst Fund, which was financed by the government's Regional Growth Fund and managed by Cornwall Development Company on behalf of the partnership and Cornwall Council.

As previously mentioned, under the university's planned disposal programme King's reported net profits of £12m on the sale of former student accommodation in Hampstead,

together with a further £5m from the sale of the Rectory, a student residence in Lambeth. Combined with other small disposals, some £17.6m surplus on disposals is reported in the year-end accounts.

The asset disposal programme is an integral part of the university's financial strategy. Some planned sales 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.

King's invested £81.3m in assets during the year:

|                    | 2014-15<br>Investments<br>£m | Capital<br>commitments<br>£m |
|--------------------|------------------------------|------------------------------|
| Student facilities | 18.7                         | 4.2                          |
| Student residences | 7.2                          | 2.1                          |
| Infrastructure     | 26.4                         | 8.2                          |
| Research           | 29.0                         | 25.0                         |
|                    | 81.3                         | 39.5                         |

Investments in excess of £5m during the year included:

|   |       |
|---|-------|
| Research facilities funded by grants                              | £5.3m |
| Maurice Wohl Clinical Neuroscience Institute                      | £7.0m |
| Technology infrastructure   | £5.6m |
| Facilities associated with new undergraduate Psychology programme | £6.6m |

Future committed investments of £25m in research facilities include £15m for cancer and £6m for the Francis Crick Institute. Commitments in respect of student facilities reflect enhancements to teaching and learning space across the estate and specific estate developments to support the newly launched undergraduate degree in Psychology.

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.

#### 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
- 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 Bronze institutional award in 2008. The university's Bronze award was renewed in September 2013 for a further three years and colleagues across King's are proactively working towards a Silver institutional award by November 2016. In 2015, the Gender Equality Charter Mark officially merges with the Athena SWAN Charter, meaning that all departments, from all disciplines across King's, can submit for gender equality awards under the Athena SWAN process. This change marks a welcome transition from the previous primary focus on the careers of women academics and researchers in Science, Technology, Engineering, Maths and Medicine to women in all academic disciplines and those in professional services.

As referred to above, King's has established a specialist school for talented young mathematicians as part of the government's scheme to improve Maths education in the state sector and increase the number of mathematically talented young people with the right levels of attainment to study Science, Technology, Engineering and Maths at top-rated universities. King's Maths School was officially opened by Nicky Morgan MP, Secretary of State for Education, on 23 September 2014 and just 11 months later students celebrated their AS-level results, with over 97% attaining an A grade in Maths.

Science Gallery London is a planned new space, focused on 15- to 25-year-olds, where art and science will combine. Located in Boland House, a Grade II\* listed building at a landmark location next to London Bridge Station and the Shard, the gallery is likely to open its doors in 2017, subject to planning permission. The project is supported by several organisations including the Wellcome Trust and Guy's and St Thomas' Charity, and it is expected to engage over 250,000 visitors per year in pioneering research in science, the arts and design. It will bring together researchers, students, local communities and artists in innovative ways to stimulate fresh thinking.

It was announced on 22 January 2015 that Dr 'Funmi Olonisakin, the founding Director and a board member of

the African Leadership Centre, has been nominated by the UN Secretary-General to be part of the Advisory Group of Experts reviewing the UN's peacebuilding architecture. In this key, high-profile role, as part of a seven-strong international team of experts, she will undertake country case studies in Burundi, the Central African Republic, Sierra Leone, South Sudan and Timor-Leste, assessing and making recommendations on the way the UN tackles peacebuilding in post-conflict zones.

The public benefit of King's Health Partners (KHP) is clear, with its key objectives of aligning NHS organisations and their university partners in world-class research, health education and patient care, and of improving healthcare by increasing the translation of discoveries from basic science into patient benefits. Over the next five years, KHP will develop clinical services, research activity, and education and training focused on the following six areas, aiming for a noticeable impact on the health of the local population:

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

KHP has increased the volume of patients entered into clinical trials; the establishment of clinical research facilities and a relationship with Quintiles – the world's largest provider of biopharmaceutical development services – have attracted increasing numbers of first-in-human and early-phase trials.

The National Institute for Health Research Biomedical Research Centres at Guy's and St Thomas' and South London and Maudsley continue to carry out vital translational research to transform scientific breakthroughs in physical and mental health into new treatments for patients and service users.

The King's Centre for Global Health, a joint venture between King's and KHP, brings the university into a complex and exciting area involving people internationally in improving health and wellbeing. It has two key functions:

- to promote collaboration in global health across the wider King's community, involving all nine faculties of King's and all 21 Clinical Academic Groups within KHP
- to develop a clear focus of activities across global health education, research, health partnerships and global surgery.

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 Memorandum of Assurance and Accountability requires the Audit and Compliance Committee to comment on the internal control and risk management systems within the university and the university's 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 findings of the external auditor following its annual audit. In addition the Department of Audit & Business Assurance has highlighted salient internal control factors for the benefit of the members of the Audit and Compliance Committee at each of their three meetings during the year to enable them to form a view as to the effectiveness of controls. This regular summary has included making an assessment of the following key areas with risk underpinning the process:

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

Based on the Audit and Compliance Committee's review of internal audit reports, the Audit & Business Assurance Department's regular summary reports setting out the effectiveness of internal controls, the external auditor's findings 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. During 2014–15 the Principal's Executive Team took the decision to focus its attention with regard to risk management on the top 10 strategic risks affecting the university. Responsibility for the management of operational risks has been delegated to the Arts and Sciences Executive Committee, the Health Faculties Executive Committee and professional services directors. Serious risks identified through those bodies are taken in aggregate across the faculties and escalated to the university's

Senior Leadership Team. These changed arrangements have been reviewed and approved by the university's Audit and Compliance Committee.

### Value for money

The HEFCE Memorandum of Assurance and Accountability articulates the responsibility of each higher education institution to provide an assessment of institutional economy, efficiency and effectiveness, jointly referred to as 'value for money'. The Audit and Compliance Committee reviews King's arrangements for value for money on an ongoing basis through a programme of audit work undertaken by the Business Assurance team.

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 studentships and bursaries
- VAT and tax management
- operational reviews of the Clinical Trials Unit, sportsgrounds, Fund-raising and Supporter Development, Study Abroad and internships
- a review of benefits arising from the implementation of a new purchase-to-pay system
- tendering arrangements and the awarding of large contracts
- shared services
- capital management.

At the end of the 2014–15 academic year King's, along with more than 10 other Russell Group universities, agreed to take part in a four-year benchmarking study of university administration and professional services. The exercise has been set up specifically to develop and deliver a new approach to benchmarking professional services to give insight into strategic choices that have an impact on the efficiency and effectiveness of support. King's expects to be able to compare the efficiency and effectiveness of its professional services with that of other institutions in the Russell Group, to identify opportunities to improve the way these services enable King's students and staff to study and work and to understand where investment may be required to enable more effective or efficient services. Additionally, it expects to identify potential improvements in making informed choices, prioritising investment and continuous actions, discovering best practices, budgeting strategically and optimising skill deployment. The benchmarking project will be an important part of the 'professional strengthening' aspect of the King's Futures programme, which recognises

that the university's ambitious plans for growth will put further demands on professional services.

Of key importance to King'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 EU Procurement Directives
- developing contracts that address the internal purchasing needs of the university's departments
- supporting commodity groups and fora that 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. King's College London Business Ltd, based in Cornwall, operates an IT support function. The university also has King's College London USA, Inc., a subsidiary incorporated in Virginia, through which it conducts marketing and alumni relations, and a charitable company in India which is not yet active. Additionally, King's conducts activities in Sierra Leone through King's Sierra Leone Partnership, an international non-governmental organisation.

On 26 November 2014 King's established King's Talent Bank Ltd, a subsidiary that began trading on 1 April 2015. Historically, King's had outsourced much of its casual payroll to an external company, but by employing staff via a wholly owned subsidiary it was able to realise significant savings. King's Talent Bank provides a single portal to access non-permanent talent, including student workers from King's, temporary staff, alumni, visiting lecturers and contractors. Work experience is particularly important to the students; as well as generating some income to support them during their programme of study, it can develop skills and responsibility that could be attractive to future potential employers.



**Results**

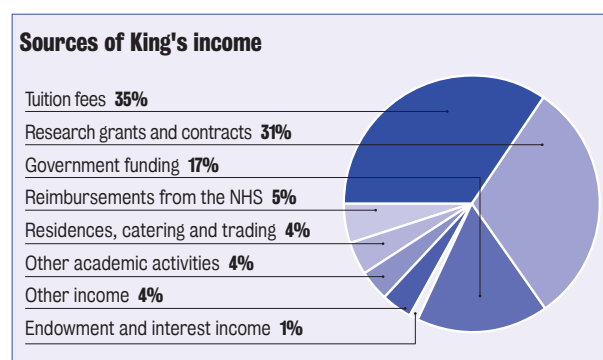
|   | <b>2014-15</b> | <b>2013-14</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Income  | 684,225        | 603,668        |
| Expenditure   | 640,449        | 605,809        |
| Surplus/(deficit) on ordinary activities                  | 43,776         | (2,141)        |
| Surplus on disposal of property                           | 17,573         | 5,963          |
| Taxation  | 4,181          | –              |
| Surplus after depreciation and tax                        | <u>57,168</u>  | <u>3,822</u>   |
|   | <b>2014-15</b> | <b>2013-14</b> |
|   | <b>£000</b>    | <b>£000</b>    |
| Surplus/(deficit) on operating activities                 | 20,278         | (9,812)        |
| Impact of FRS17   | –              | 131            |
| Research & Development Expenditure Credit                 | 17,732         | –              |
| Surplus on departmental activities                        | 5,766          | 7,540          |
| Surplus/(deficit) on ordinary activities                  | <u>43,776</u>  | <u>(2,141)</u> |
| Surplus/(deficit) on ordinary activities as a % of income | 6.4%           | (0.4)%         |

The results on ordinary activities show a £43.8m surplus and include just under £18m received in respect of Research & Development Expenditure Credit (RDEC) tax credits reported within research income. The positive underlying performance in part reflects the effect of a buoyant student admissions cycle in September 2014, with most faculties exceeding their target intake, particularly in the arts and social sciences at undergraduate level, for both home and international students. The numbers of students increased by 1,100 year on year and the increase in tuition fee income generated by this growth was partially offset by the anticipated decrease in teaching funding received from HEFCE as students recruited under the new fees regime move through the system.

Research income in 2014–15 increased by approximately 12.5% compared to the prior year, reflecting a strong performance in obtaining new awards in 2013–14. Research income tends to lag between 12 and 18 months behind the initial award, so in any one year it generally reflects the level of awards granted during the previous year. The growth in research income is expected to return to more modest levels in 2015–16.

In the prior year, 2013–14, there were efficiency reviews in a number of areas and, in particular, some 3% of the Faculty of Life Sciences & Medicine staff members left King's; in the same year a £10m provision was made against the costs of restructuring. Accordingly, despite an increase in the level of research activity and the extra pay expenditure it entailed, together with annual pay inflation, the overall pay bill for the university increased by only 1% year on year.

Following a wide-ranging consultation, which included working closely with various stakeholders, a planning application for redevelopment of the historic Strand Campus was submitted. It was successful, but following an adverse public response to the proposals the application was withdrawn, and alternative plans are now under consideration. As a consequence of withdrawing the planning application some £3.1m of costs associated with the approved scheme have been written off, and this has had a negative impact on the results for the year.

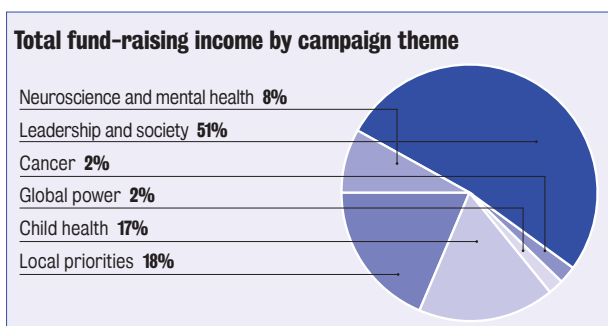
**Income****Fund-raising**

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. Fund-raising and Supporter Development raises funds for KHP as well as for the university and the combined sum raised during 2014–15 was £69.6m, bringing the campaign total to £591.3m, well in excess of the target.

| Fund-raising income            | Total campaign £000 | 2014-15         |                           | Total £000    |
|--------------------------------|---------------------|-----------------|---------------------------|---------------|
|                                |                     | University £000 | KHP charity partners £000 |               |
| Staff and students             | 47,049              | 12,336          | –                         | 12,336        |
| Capital items and endowments   | 52,191              | –               | –                         | –             |
| Income raised for NHS partners | 28,065              | –               | 6,779                     | 6,779         |
| Received                       | 127,305             | 12,336          | 6,779                     | 19,115        |
| Gifts-in-kind                  | 4,642               | 1               | 22                        | 23            |
| Pledges not yet received       | 101,684             | 16,801          | 2,205                     | 19,006        |
|                                | <u>233,631</u>      | <u>29,138</u>   | <u>9,006</u>              | <u>38,144</u> |
| Directed research grants       | 357,663             | 31,468          | –                         | 31,468        |
|                                | <u>591,294</u>      | <u>60,606</u>   | <u>9,006</u>              | <u>69,612</u> |

New cash and pledges for the university brought in this year by Fund-raising and Supporter Development amounted to £29.1m, spread across the following themes.

| Campaign theme                 | University<br>£000 | KHP charity<br>partners<br>£000 | Total<br>£000 |
|--------------------------------|--------------------|---------------------------------|---------------|
| Neuroscience and mental health | 3,135              | 79                              | 3,214         |
| Leadership and society         | 19,572             | 1                               | 19,573        |
| Cancer                         | 175                | 747                             | 922           |
| Global power                   | 832                | -                               | 832           |
| Child health                   | 1,613              | 5,008                           | 6,621         |
| Local priorities               | 3,811              | 3,171                           | 6,982         |
|                                | 29,138             | 9,006                           | 38,144        |



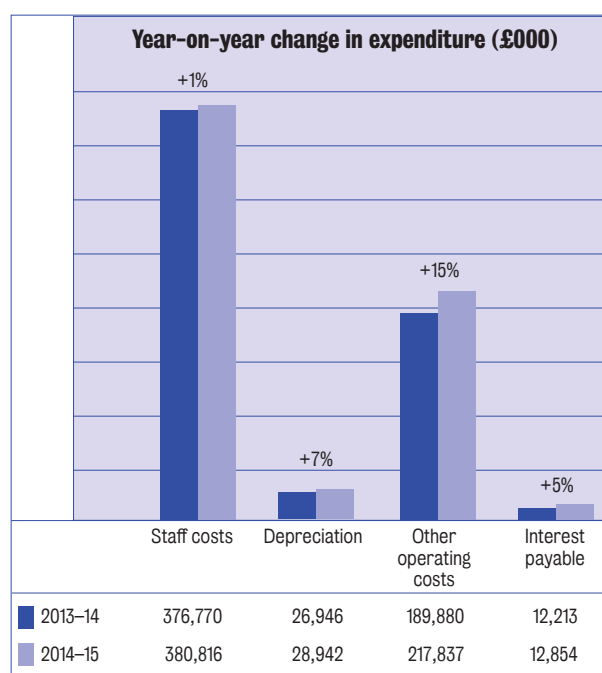
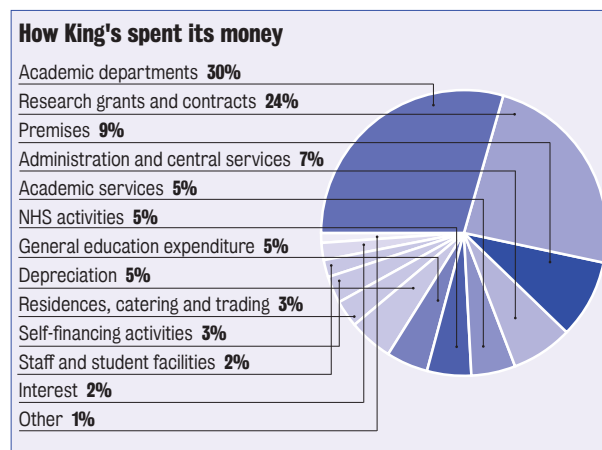
King's is grateful to all its friends and supporters, thanking those who have generously given donations, whether small or big. Some of the larger gifts and pledges received during the year included the following:

- A £5.0m pledge from Shard Funding towards the capital costs of the new Science Gallery London building, which will form part of the Global Science Gallery network; the gallery is due to open on Guy's Campus in 2017.
- Khoo Teck Puat UK Foundation has pledged £3.0m to fund a new children's cardiac inpatient ward at Evelina London Children's Hospital.
- The Atlantic Philanthropies have approved a grant of up to £1.6m over three years to the Cicely Saunders Institute to improve global access for the growing numbers of people in need of palliative care, and to embed palliative care into international policy and practice.
- The Perseverance Trust has pledged £1.5m to provide an expendable endowment to fund merit-based scholarships and hardship funding for students at the Florence Nightingale Faculty of Nursing & Midwifery.
- A £1.26m pledge from the Carnegie Corporation of New York for the African Leadership Centre.
- The Montecito Charitable Trust has pledged £1.25m to cover two new posts for three years at the new Cancer

Centre at Guy's and fund the capital costs of the first floor of the building.

- A £1.18m pledge from the KC Wong Education Foundation to establish a post-doctoral fellowship scheme to provide the opportunity for early-stage post-doctoral researchers from China to do research at King's.
- £1.0m pledged by the Davis Foundation towards Professor Gideon Lack's research into preventing allergies in children at the Department of Paediatric Allergy at King's.
- £547,000 has been raised from alumni, staff and friends of the university for the King's Sierra Leone Partnership and specifically its work in response to the Ebola crisis.
- A pledge of £250,000 from Adrian Mowat to help fund the establishment of the Alex Mowat Paediatric Research Laboratories at King's College Hospital.

### Expenditure



Prior-year staff costs included a £10m provision for restructuring relating to staff who left the university. Adjusting for this provision, the underlying pay bill increased by around £14m/3.8%, reflecting a combination of around £6.5m in respect of the annual pay award, determined by national pay bargaining, and around £8m for increased research activity.

| <b>Average staff numbers (full-time equivalent)</b>    | <b>2014-15</b> | <b>2013-14</b> |
|--|----------------|----------------|
| Academic/clinical (including staff on research grants) | 3,500          | 3,465          |
| Administrative and related staff                       | 885            | 876            |
| Technical  | 353            | 365            |
| Clerical   | 1,079          | 1,018          |
| Other  | 131            | 135            |
| <b>Total</b>   | <b>5,948</b>   | <b>5,859</b>   |

#### Endowment asset investments

The endowment investments increased during the year from £163m to £179m. This reflects both receipt of new endowments (£9.9m) and capital growth over the year (£6m). Investment income was £4.8m. As measured by total return over the year, performance was as follows.

#### Performance for the year to 31 July 2015

|                    |        |
|--------------------|--------|
| Actual performance | +7.7%  |
| Policy benchmark   | +7.8%  |
| Value added        | (0.1)% |

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

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

The Charity Commission has issued an order to enable King's to adopt a total return approach without the need for an amendment to the King's College London Act 1978. In 2015-16 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

| <b>Net current assets</b> | <b>31 July 2015<br/>£000</b> | <b>31 July 2014<br/>£000</b> | <b>Change<br/>£000</b> |
|---------------------------|------------------------------|------------------------------|------------------------|
| Cash at bank              | 302,380                      | 119,861                      | 182,519                |
| Debtors                   | 89,729                       | 78,212                       | 11,517                 |
| Current assets            | 392,109                      | 198,073                      | 194,036                |
| Creditors < one year      | (221,164)                    | (193,328)                    | (27,836)               |
| <b>Net current assets</b> | <b>170,945</b>               | <b>4,745</b>                 | <b>166,200</b>         |

The ratio of liquid assets to annual expenditure (excluding depreciation) was 180 days compared with a target of 90 days. Cash has increased significantly since the loan-note issue and this is largely due to timing as the planned capital investment programme picks up pace.

| <b>Debtors</b>                  | <b>31 July 2015<br/>£000</b> | <b>31 July 2014<br/>£000</b> | <b>Change<br/>£000</b> |
|---------------------------------|------------------------------|------------------------------|------------------------|
| Trade debtors                   | 24,268                       | 19,106                       | 5,162                  |
| Other debtors                   | 20,791                       | 14,091                       | 6,700                  |
| Research grant debtors          | 24,235                       | 25,637                       | (1,402)                |
| Research grant work in progress | 16,444                       | 16,076                       | 368                    |
| Prepayments and accrued income  | 3,991                        | 3,302                        | 689                    |
|                                 | <b>89,729</b>                | <b>78,212</b>                | <b>11,517</b>          |

The largest movements within debtors reflect amounts due from NHS partners, which are broadly timing differences.

| <b>Creditors</b>              | <b>31 July 2015<br/>£000</b> | <b>31 July 2014<br/>£000</b> | <b>Change<br/>£000</b> |
|-------------------------------|------------------------------|------------------------------|------------------------|
| Trade creditors               | 35,237                       | 29,522                       | 5,715                  |
| Payments received on account  | 104,624                      | 106,649                      | (2,025)                |
| Other creditors and accruals  | 65,902                       | 42,497                       | 23,405                 |
| Social Security and taxation  | 9,753                        | 9,211                        | 542                    |
| Finance leases                | 1,645                        | 1,645                        | –                      |
| Loans repayable within 1 year | 4,003                        | 3,804                        | 199                    |
|                               | <b>221,164</b>               | <b>193,328</b>               | <b>27,836</b>          |

Year-on-year changes include increases related to higher levels of activity in respect of, for example, student recruitment and departmental work, but there is also a £5m credit balance related to property transactions.

### 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 £30m per counterparty with the exception of Barclays, HSBC, Lloyds and RBS, where the limit is £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

| <b>Borrowings</b>           | <b>Total<br/>£000</b>   | <b>&lt; 1 year<br/>£000</b> | <b>&gt; 1 year<br/>£000</b> |
|-----------------------------|-------------------------|-----------------------------|-----------------------------|
| Finance leases              | 9,788                   | 1,645                       | 8,143                       |
| Loans                       | 296,327                 | 4,003                       | 292,324                     |
| Total borrowings 2014–15    | <u>306,115</u>          | <u>5,648</u>                | <u>300,467</u>              |
| Total borrowings 2013–14    | 173,250                 | 5,449                       | 167,801                     |
|                             | <b>31 July<br/>2015</b> | <b>31 July<br/>2014</b>     | <b>Limit</b>                |
| Borrowings as a % of income | 44.7%                   | 28.7%                       | 50%                         |
| Borrowings to reserves      | 1.0                     | 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 within target.

| <b>Net cash</b>                 | <b>31 July<br/>2015<br/>£000</b> | <b>31 July<br/>2014<br/>£000</b> | <b>Change<br/>£000</b> |
|---------------------------------|----------------------------------|----------------------------------|------------------------|
| Cash and short-term investments | 302,380                          | 119,861                          | 182,519                |
| Borrowings                      | 306,115                          | 173,250                          | (132,865)              |
| Net borrowings                  | <u>(3,735)</u>                   | <u>(53,389)</u>                  | <u>49,654</u>          |

The largest movement in cash and short-term investments includes £44.5m of gross proceeds from three property transactions together with £135m cash from a private placement of loan notes in May 2015. The notes, due 2035–45, were taken by a number of investors from both the UK and the United States.

### 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 disclosure is made in the notes to the accounts (see note 30 to the financial statements).

Both schemes have recently undertaken triennial valuations as at 31 March 2014. The valuation of USS is subject to audit and that for SAUL is yet to be finalised, but preliminary indications show the following for March 2014:

|               | <b>USS</b>                               |                          | <b>SAUL</b>                              |                          |
|---------------|--|--------------------------|--|--------------------------|
|               | <b>31 March<br/>2014<br/>preliminary</b> | <b>31 March<br/>2011</b> | <b>31 March<br/>2014<br/>preliminary</b> | <b>31 March<br/>2011</b> |
| Assets        | 41,600m                                  | 32,400m                  | 1,924m                                   | 1,506m                   |
| Liabilities   | 46,900m                                  | 35,300m                  | 2,042m                                   | 1,581m                   |
| Shortfall     | 5,300m                                   | 2,900m                   | 118m                                     | 75m                      |
| Funding level | 89%                                      | 92%                      | 94%                                      | 95%                      |

Both schemes have already closed their final-salary sections to new members, replacing them with career-average benefits for new members; but additional measures are necessary to address the shortfalls.

From 1 April 2016 the final-salary section of USS will be closed for all members. Employer contributions will rise from 16% to 18% and for employees from 7.5% to 8%. The scheme will thereafter consist of a defined-benefit section based on career average and, as soon as practicable after 1 April 2016 and no later than 1 October 2016, a defined-contribution section of the scheme. Contributions will be made into the defined-benefit section up to a cap, with contributions on salary in excess of the cap being made into the defined-contribution section of the scheme. It is estimated that these changes will eliminate the shortfall by 31 March 2031.

SAUL is intending to introduce similar changes. Employer contributions will rise from 13% to 16%, but employees' contributions will remain at 6%. The final-salary section of the scheme will be closed from 1 April 2016 and all members will become members of the career-average-revalued-benefit section.

### Prospects and planning outlook

The UK school-leaving population of 18-year-olds continues to remain low in comparison to previous decades and will dip further before returning to 2015 levels by 2025. However, more students than ever are applying to university and

there continues to be a growing demand from international applicants for the highest-quality institutions generally and for the London experience in particular.

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 amount 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. Some universities make unconditional offers to current A-level students who are awaiting exam results, which could give those institutions a competitive edge, but as the practice has the potential to have an impact on quality, it is not a route King's will follow.

Outside the UK, the relaxation of 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. Yet a key uncertainty for King's and the whole UK higher education sector is the potential for Britain to vote to leave the EU in the forthcoming referendum, which could be held as soon as June 2016. Whatever the result of the referendum, there is likely to be some perceptual damage to the attractiveness of studying here, and this could lead to a general reduction in the number of mainland European applications to British institutions. Universities UK and the Russell Group are stepping up support for continued EU membership.

Currently there is a government-imposed cap on the proportion of international medical and dental undergraduate students institutions can recruit. There is some suggestion of a potential relaxation of the intake caps on clinical undergraduates, but this is likely to be accompanied by a reduction in government funding that would need to be passed on to students.

2015 saw the graduation of the first cohort of students under the £9,000 annual fee regime, with the increased levels of personal debt this generally entails. It was always expected that the high levels of financial commitment might have an impact on the demand for further study, and while it still seems a reasonable assumption, there is no clear evidence for this in our admissions cycle for entry in 2016,

and the introduction of student loans for certain categories of postgraduate taught students will have an ameliorating effect.

The next Comprehensive Spending Review will be published before the end of 2015 and it is expected that further cuts will affect the higher education sector. This may come through changes in the HEFCE teaching grant by way of subject funding and/or changes to other grants for innovation and student opportunity. There may also be some efficiencies applied to the budgets of the research councils, which would be likely to result in a greater concentration of more limited funds for selected disciplines and/or institutions.

### Financial forecasts

This year's operating surplus needs to be seen in the context of forecast deficits over the next few years. This is part of a planned financial strategy that sees King's leverage the balance sheet to support the recurrent account and maintain investment while transforming the university through a number of new academic initiatives. In the short term, costs will increase as the capacity to support growth is developed including, for example, the additional rental costs of the Bush House Buildings necessary to accommodate new academic initiatives. In the long term, the levels of operating surplus will increase as King's delivers the growth in student numbers and research income necessary to create a more balanced and financially sustainable university.

### Conclusions

This has been a busy and successful year with an impressive outcome from the Research Excellence Framework exercise. With positive performance in the annual admissions cycle and a continuing focus on efficiency and productivity, the financial surplus at King's reflects good underlying operating performance. However, the surplus also includes a number of non-recurring items, such as the profits from planned asset disposals and one-off research tax credits.

The strategy encompassed by King's Futures and launched by the President & Principal in 2014 brings with it additional financial commitments; over the next three years financial deficits are expected as the programme gains momentum before delivering positive financial returns.

League tables such as Quacquarelli Symonds (QS) University Rankings already place King's in the top 20 global universities, but it is not standing still. The King's Futures programme describes exciting new initiatives, but it by no

| Projections   | 2012–13<br>actual £m | 2013–14<br>actual £m | 2014–15<br>actual £m | 2015–16<br>forecast £m | 2016–17<br>forecast £m |
|---|----------------------|----------------------|----------------------|------------------------|------------------------|
| Income  | 586.9                | 603.7                | 684.2                | 692.3                  | 754.4                  |
| Expenditure   | 577.4                | 605.8                | 640.4                | 702.1                  | 765.4                  |
| Surplus/(deficit) on ordinary activities before tax | 9.5                  | (2.1)                | 43.8                 | (9.8)                  | (11.0)                 |
| Surplus/(deficit) as a % of income                  | 1.6%                 | (0.4)%               | 6.4%                 | (1.4)%                 | (1.5)%                 |

means encompasses all the good work already underway; both aspects will secure the long-term position of King's. Some of the most significant current projects are King's Health Partners, the redevelopment of the Strand Campus, partnership with the Francis Crick Institute, investment in student accommodation at Canada Water and Champion Hill, and important work on equality and diversity, including Athena SWAN. These initiatives will help King's adapt to changing circumstances and ultimately ensure that it delivers outstanding research and education, commensurate with its status as one of the world's leading universities.

Mr Rory Tapner  
*Treasurer*

Mr Stephen Large  
*Director of Finance*

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# Corporate governance

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

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

The principal academic and executive officer of King's is the President & Principal, who has a general responsibility to the Council for ensuring that the objects of the university are fulfilled and for maintaining and promoting the efficiency, discipline and good order of the university. The 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.

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# Statement of internal control

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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 2015 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; the Code of Practice is contained within the Memorandum of Assurance and Accountability, which was introduced by HEFCE in August 2014.
- The Department of Audit & Business Assurance submits regular reports to the Audit 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 2015 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 auditor in its management letter and other reports.



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# Responsibilities of the Council

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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.

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# Independent auditor's report to the Council of King's College London

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We have audited the group and university financial statements (the 'financial statements') of King's College London for the year ended 31 July 2015 which comprise Consolidated Income and Expenditure Account, the Consolidated 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 auditor

As explained more fully in the Responsibilities of the Council set out on page 23, 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 2015 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's 'Accounts direction to higher education institutions for 2014–15 financial statements'.

## 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 and managed in accordance with relevant legislation;
- income has been applied in accordance with the university's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's 'Accounts direction to higher education institutions for 2014–15 financial statements' have been met.

Fleur Nieboer

For and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

*15 Canada Square, London E14 5GL*

*2 December 2015*

Notes:

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

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

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# Statement of principal accounting policies

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## 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 Finance Act 2010. Accordingly, the university is potentially exempt from corporation tax on income and capital gains falling within Section 287 of the Corporation Tax Act (CTA) 2009 and Sections 471 and 478–88 of the CTA 2010 (formerly Section 505 of the Income and Corporation 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 2015

|  | <i>Note</i> | <b>2014-15</b><br><b>£000</b> | <b>2013-14</b><br><b>£000</b> |
|--|-------------|-------------------------------|-------------------------------|
| <b>Income</b>  |             |                               |                               |
| Funding body grants  | 1           | 112,665                       | 122,426                       |
| Tuition fees and education contracts                           | 2           | 236,183                       | 201,076                       |
| Research grants and contracts                                  | 3           | 210,782                       | 171,547                       |
| Other operating income   | 4           | 119,425                       | 102,845                       |
| Endowment and investment income                                | 5           | 5,170                         | 5,774                         |
| Total income   |             | <u>684,225</u>                | <u>603,668</u>                |
| <b>Expenditure</b>   |             |                               |                               |
| Staff costs  | 6           | 380,816                       | 376,770                       |
| Other operating expenses                                       | 10          | 217,837                       | 189,880                       |
| Depreciation   | 11          | 28,942                        | 26,946                        |
| Interest payable   | 8           | 12,854                        | 12,213                        |
| Total expenditure  | 10          | <u>640,449</u>                | <u>605,809</u>                |
| Surplus/(deficit) on ordinary activities                       |             | 43,776                        | (2,141)                       |
| Taxation   | 9           | 4,181                         | –                             |
| <b>Surplus/(deficit) on ordinary activities after taxation</b> |             | <u>39,595</u>                 | <u>(2,141)</u>                |
| Surplus on property transactions                               |             | 17,573                        | 5,963                         |
| <b>Surplus after depreciation of assets at cost and tax</b>    | 22          | <u>57,168</u>                 | <u>3,822</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 32 to 47 form part of the financial statements.*

## Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2015

|   | <i>Note</i> | <b>2014–15</b><br><b>£000</b> | <b>2013–14</b><br><b>£000</b> |
|---|-------------|-------------------------------|-------------------------------|
| <b>Surplus after depreciation of assets at cost and tax</b> |             | 57,168                        | 3,822                         |
| <b>Change in value of endowment asset investments</b>       | 21          | 6,168                         | 3,187                         |
| <b>Endowment income movement for the year</b>               | 21          | 735                           | (159)                         |
| <b>New endowments</b>                                       | 21          | 9,873                         | 5,484                         |
| <b>Actuarial loss on pension schemes</b>                    | 30          | –                             | (600)                         |
| <b>Total recognised gains relating to the year</b>          |             | <u>73,944</u>                 | <u>11,734</u>                 |

### Reconciliation

|  |                |                |
|--|----------------|----------------|
| <b>Opening reserves and endowments</b>     | 412,210        | 400,476        |
| <b>Total recognised gains for the year</b> | 73,944         | 11,734         |
| <b>Closing reserves and endowments</b>     | <u>486,154</u> | <u>412,210</u> |

The notes on pages 32 to 47 form part of the financial statements.

## Consolidated and University Balance Sheets

As at 31 July 2015

|  | Note | Consolidated     |                  | University       |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2015<br>£000     | 2014<br>£000     | 2015<br>£000     | 2014<br>£000     |
| <b>Fixed assets</b>  |      |                  |                  |                  |                  |
| Tangible assets  | 11   | 853,526          | 807,767          | 855,489          | 809,886          |
| Investments  | 13   | 34,217           | 34,041           | 34,217           | 34,041           |
|  |      | <u>887,743</u>   | <u>841,808</u>   | <u>889,706</u>   | <u>843,927</u>   |
| <b>Endowment asset investments</b>                             | 14   | <u>179,373</u>   | <u>162,597</u>   | <u>179,373</u>   | <u>162,597</u>   |
| <b>Current assets</b>  |      |                  |                  |                  |                  |
| Debtors  | 15   | 89,729           | 78,212           | 90,191           | 84,468           |
| Cash at bank and in hand                                       |      | 302,380          | 119,861          | 291,428          | 106,821          |
|  |      | <u>392,109</u>   | <u>198,073</u>   | <u>381,619</u>   | <u>191,289</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 16   | <u>(221,164)</u> | <u>(193,328)</u> | <u>(210,403)</u> | <u>(186,570)</u> |
| <b>Net current assets</b>                                      |      | <u>170,945</u>   | <u>4,745</u>     | <u>171,216</u>   | <u>4,719</u>     |
| <b>Total assets less current liabilities</b>                   |      | 1,238,061        | 1,009,150        | 1,240,295        | 1,011,243        |
| <b>Creditors: amounts falling due after more than one year</b> | 17   | <u>(322,467)</u> | <u>(167,801)</u> | <u>(322,467)</u> | <u>(167,801)</u> |
| <b>Provisions for liabilities and charges</b>                  | 19   | <u>(4,653)</u>   | <u>(12,975)</u>  | <u>(4,653)</u>   | <u>(12,975)</u>  |
| <b>Total net assets</b>  |      | <u>910,941</u>   | <u>828,374</u>   | <u>913,175</u>   | <u>830,467</u>   |
| <b>Deferred capital grants</b>                                 | 20   | <u>424,787</u>   | <u>416,164</u>   | <u>424,787</u>   | <u>416,164</u>   |
| <b>Endowments</b>  |      |                  |                  |                  |                  |
| Restricted permanent   | 21   | 153,044          | 138,314          | 153,044          | 138,314          |
| Restricted expendable  | 21   | 26,329           | 24,283           | 26,329           | 24,283           |
|  |      | <u>179,373</u>   | <u>162,597</u>   | <u>179,373</u>   | <u>162,597</u>   |
| <b>Reserves</b>  |      |                  |                  |                  |                  |
| Capital reserve  | 22   | 106,272          | 223,802          | 108,235          | 225,921          |
| General reserves   | 22   | 200,509          | 25,811           | 200,780          | 25,785           |
|  |      | <u>306,781</u>   | <u>249,613</u>   | <u>309,015</u>   | <u>251,706</u>   |
| <b>Total funds</b>   |      | <u>910,941</u>   | <u>828,374</u>   | <u>913,175</u>   | <u>830,467</u>   |

The financial statements on pages 25 to 47 were approved by the Council on 24 November 2015 and signed on its behalf by:

The Duke of Wellington  
Chairman of Council

Professor Edward Byrne  
President & Principal

Mr Rory Tapner  
Treasurer



## Consolidated Cash Flow Statement

For the year ended 31 July 2015

|   | <i>Note</i> | <b>2014-15</b><br><b>£000</b> | <b>2013-14</b><br><b>£000</b> |
|---|-------------|-------------------------------|-------------------------------|
| <b>Net cash inflow from operating activities</b>                          | 24          | 67,452                        | 15,758                        |
| <b>Returns on investments and servicing of finance</b>                    | 25          | (1,789)                       | (2,217)                       |
| <b>Capital expenditure and financial investment</b>                       | 26          | (8,030)                       | (82,881)                      |
| <b>Cash inflow/(outflow) before use of liquid resources and financing</b> |             | 57,633                        | (69,340)                      |
| <b>Management of liquid resources</b>                                     | 27          | (3,588)                       | (1,408)                       |
| <b>Financing</b>  | 28          | 128,474                       | (5,971)                       |
| <b>Increase/(decrease) in cash</b>  | 29          | <u>182,519</u>                | <u>(76,719)</u>               |

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

|  | <i>Note</i> | <b>2014-15</b><br><b>£000</b> | <b>2013-14</b><br><b>£000</b> |
|--|-------------|-------------------------------|-------------------------------|
| <b>Increase/(decrease) in cash in the year</b> |             | 182,519                       | (76,719)                      |
| <b>Cash inflow from liquid resources</b>       |             | 3,588                         | 1,408                         |
| <b>(Increase)/decrease in debt</b>             |             | (132,865)                     | 1,592                         |
| <b>Movement in net cash in the year</b>        |             | 53,242                        | (73,719)                      |
| <b>Net (debt)/cash at 1 August</b>             |             | (34,559)                      | 39,160                        |
| <b>Net cash/(debt) at 31 July</b>              | 29          | <u>18,683</u>                 | <u>(34,559)</u>               |

The notes on pages 32 to 47 form part of the financial statements.

## Notes to the accounts

For the year ended 31 July 2015

| 1. FUNDING BODY GRANTS  | <b>2014-15</b> | <b>2013-14</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Higher Education Funding Council for England grants:                      |                |                |
| Recurrent grant   | 99,457         | 107,805        |
| Specific grants   | 4,413          | 4,845          |
| Deferred capital grants released in the year:                             |                |                |
| Buildings ( <i>note 20</i> )  | 5,544          | 6,029          |
| Plant ( <i>note 20</i> )  | 3,196          | 3,012          |
| Equipment ( <i>note 20</i> )  | 55             | 735            |
|   | <u>112,665</u> | <u>122,426</u> |
| <br>  |                |                |
| 2. TUITION FEES AND EDUCATION CONTRACTS                                   | <b>2014-15</b> | <b>2013-14</b> |
|   | <b>£000</b>    | <b>£000</b>    |
| Full-time students charged home fees                                      | 108,643        | 87,344         |
| Full-time students charged overseas fees                                  | 81,707         | 72,147         |
| NHS contracted student fees   | 23,112         | 23,024         |
| Part-time fees  | 7,227          | 7,045          |
| Special and short course fees   | 15,467         | 11,447         |
| Research training support grants  | 27             | 69             |
|   | <u>236,183</u> | <u>201,076</u> |
| <br>  |                |                |
| 3. RESEARCH GRANTS AND CONTRACTS  | <b>2014-15</b> | <b>2013-14</b> |
|   | <b>£000</b>    | <b>£000</b>    |
| Research Councils   | 41,423         | 38,257         |
| Research & Development Expenditure Credit Scheme                          | 17,732         | –              |
| UK central government, local authorities, health and hospital authorities | 39,939         | 32,965         |
| UK industry, commerce and public corporations                             | 14,898         | 13,112         |
| UK charitable bodies  | 49,799         | 47,637         |
| EU government and other bodies  | 29,111         | 21,381         |
| Overseas non EU   | 16,766         | 17,087         |
| Other   | 1,114          | 1,108          |
|   | <u>210,782</u> | <u>171,547</u> |
| <br>  |                |                |
| 4. OTHER OPERATING INCOME   | <b>2014-15</b> | <b>2013-14</b> |
|   | <b>£000</b>    | <b>£000</b>    |
| Academic departments costs reimbursed by NHS                              | 15,883         | 15,782         |
| Clinical excellence awards reimbursed by NHS                              | 7,785          | 8,094          |
| Residences, catering and conferences                                      | 27,614         | 20,582         |
| Services rendered to NHS and related bodies                               | 9,546          | 8,036          |
| Self-financing activities   | 27,684         | 21,425         |
| Released from deferred capital grants                                     | 2,092          | 2,092          |
| Other income  | 28,821         | 26,834         |
|   | <u>119,425</u> | <u>102,845</u> |

Notes to the accounts *continued*

For the year ended 31 July 2015

| 5. ENDOWMENT AND INVESTMENT INCOME                                   | <b>2014–15</b> | <b>2013–14</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Transferred from restricted permanent endowments ( <i>note 21</i> )  | 3,226          | 3,266          |
| Transferred from restricted expendable endowments ( <i>note 21</i> ) | 848            | 1,427          |
| Other interest receivable  | 1,096          | 1,081          |
|  | <u>5,170</u>   | <u>5,774</u>   |

| 6. STAFF                                | <b>2014–15</b> | <b>2013–14</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Staff costs:                            |                |                |
| Wages and salaries                      | 316,393        | 304,117        |
| Social security costs                   | 25,074         | 24,331         |
| Other pensions costs ( <i>note 30</i> ) | 39,349         | 38,322         |
| Restructuring costs                     | –              | 10,000         |
|   | <u>380,816</u> | <u>376,770</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.

|                                   | <b>2014–15</b> | <b>2013–14</b> |
|-----------------------------------|----------------|----------------|
|                                   | <b>£000</b>    | <b>£000</b>    |
| Emoluments of the Principal:      |                |                |
| Other emoluments                  | 350            | 270            |
| Benefits-in-kind                  | 7              | 5              |
| Relocation costs                  | 45             | –              |
|                                   | <u>402</u>     | <u>275</u>     |
| Pension scheme contributions      | 56             | 49             |
| Total emoluments of the Principal | <u>458</u>     | <u>324</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.

|  | <b>2014–15</b> | <b>2013–14</b> |
|--|----------------|----------------|
|  | <b>Number</b>  | <b>Number</b>  |
| Average staff numbers, expressed as full-time equivalents: |                |                |
| Academic/clinical, including research contract staff       | 3,500          | 3,465          |
| Administrative and related staff                           | 885            | 876            |
| Technical  | 353            | 365            |
| Clerical   | 1,079          | 1,018          |
| Other  | 131            | 135            |
|  | <u>5,948</u>   | <u>5,859</u>   |

Temporary staff provided by King's Talent Bank Limited and employment agencies are not included in staff numbers.

Notes to the accounts *continued*

For the year ended 31 July 2015

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:

|                   | 2014–15<br>Clinical<br>academic | 2014–15<br>Other academic<br>and related | 2014–15<br>Total number | 2013–14<br>Total number |
|-------------------|---------------------------------|--|-------------------------|-------------------------|
| £100,001–£110,000 | 27                              | 32                                       | 59                      | 55                      |
| £110,001–£120,000 | 17                              | 20                                       | 37                      | 36                      |
| £120,001–£130,000 | 14                              | 14                                       | 28                      | 33                      |
| £130,001–£140,000 | 9                               | 9  | 18                      | 24                      |
| £140,001–£150,000 | 16                              | 9  | 25                      | 16                      |
| £150,001–£160,000 | 18                              | 9  | 27                      | 18                      |
| £160,001–£170,000 | 19                              | 2  | 21                      | 19                      |
| £170,001–£180,000 | 13                              | 1  | 14                      | 11                      |
| £180,001–£190,000 | 5                               | 2  | 7                       | 14                      |
| £190,001–£200,000 | 5                               | 2  | 7                       | 6                       |
| £200,001–£210,000 | 1                               | –  | 1                       | 3                       |
| £210,001–£220,000 | 1                               | 1  | 2                       | 3                       |
| £220,001–£230,000 | 2                               | –  | 2                       | 5                       |
| £230,001–£240,000 | 5                               | –  | 5                       | 5                       |
| £240,001–£250,000 | 2                               | –  | 2                       | –                       |
| £250,001–£260,000 | 1                               | –  | 1                       | 1                       |
| £260,001–£270,000 | 1                               | –  | 1                       | 1                       |
| £270,001–£280,000 | –                               | –  | –                       | 1                       |
| £280,001–£290,000 | 1                               | –  | 1                       | –                       |
| £290,001–£300,000 | –                               | –  | –                       | –                       |
| £300,001–£310,000 | –                               | –  | –                       | 1                       |
| £310,001–£320,000 | 1                               | 1  | 2                       | 1                       |
| £320,001–£330,000 | –                               | –  | –                       | –                       |
| £330,001–£340,000 | –                               | –  | –                       | –                       |
| £340,001–£350,000 | –                               | –  | –                       | –                       |
| £350,001–£360,000 | –                               | 1  | 1                       | –                       |

Remuneration is now calculated before salary sacrifice deductions, with 2014 comparatives restated.

The accounts include seven severance payments for higher-paid employees (including the cost of additional pension benefits purchased by the university) amounting to £724,000 for 2015 (2014 – one, £100,000).

## 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 (2014 – none) in respect of their Council duties. The university paid a contribution of £12,000 (2014 – £12,000) towards the costs of the Chairman's office.

## 8. INTEREST PAYABLE

|   | 2014–15<br>£000 | 2013–14<br>£000 |
|---|-----------------|-----------------|
| Bank and other loans wholly repayable within five years | –               | –               |
| Loans not wholly repayable within five years            | 11,346          | 10,692          |
| Finance leases  | 1,508           | 1,521           |
|   | <u>12,854</u>   | <u>12,213</u>   |

Notes to the accounts *continued*

For the year ended 31 July 2015

| 9. TAXATION                | 2014-15<br>£000 | 2013-14<br>£000 |
|----------------------------|-----------------|-----------------|
| UK corporation tax payable | 4,181           | –               |

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

The Council does not believe that the university is liable for any additional corporation tax arising out of its activities during the year, which fall within its charitable exemption.

## 10. ANALYSIS OF 2015 EXPENDITURE BY ACTIVITY

|  | Staff<br>costs<br>£000 | Depreciation<br>£000 | Other<br>operating<br>expenses<br>£000 | Interest<br>payable<br>£000 | 2014-15<br>Total<br>£000 | 2013-14<br>Total<br>£000 |
|--|------------------------|----------------------|--|-----------------------------|--------------------------|--------------------------|
| Academic departments                         | 173,870                | 1,571                | 21,327                                 | –                           | 196,768                  | 198,125                  |
| Academic departments costs reimbursed by NHS | 15,882                 | –                    | 166                                    | –                           | 16,048                   | 15,970                   |
| Clinical excellence awards reimbursed by NHS | 7,785                  | –                    | –                                      | –                           | 7,785                    | 8,094                    |
| Academic services                            | 20,213                 | 1,705                | 11,910                                 | –                           | 33,828                   | 34,185                   |
| Research grants and contracts                | 90,361                 | 4,911                | 64,646                                 | –                           | 159,918                  | 143,489                  |
| Residences, catering and conferences         | 5,561                  | 114                  | 14,486                                 | 7,323                       | 27,484                   | 20,456                   |
| Premises                                     | 7,581                  | 19,418               | 49,866                                 | –                           | 76,865                   | 69,124                   |
| Administration and central services          | 33,930                 | 16                   | 10,376                                 | –                           | 44,322                   | 34,966                   |
| Staff and student facilities                 | 4,932                  | 575                  | 7,230                                  | –                           | 12,737                   | 14,187                   |
| General education expenditure                | 845                    | 48                   | 28,039                                 | –                           | 28,932                   | 24,616                   |
| Services rendered to NHS and related bodies  | 6,257                  | –                    | 2,389                                  | –                           | 8,646                    | 7,497                    |
| Self-financing activities                    | 12,285                 | –                    | 4,359                                  | –                           | 16,644                   | 13,885                   |
| Pensions costs                               | –                      | –                    | –                                      | –                           | –                        | (131)                    |
| Restructuring provision                      | –                      | –                    | –                                      | –                           | –                        | 10,000                   |
| Other  | 1,314                  | 584                  | 3,043                                  | 5,531                       | 10,472                   | 11,346                   |
| Total per Income and Expenditure Account     | <u>380,816</u>         | <u>28,942</u>        | <u>217,837</u>                         | <u>12,854</u>               | <u>640,449</u>           | <u>605,809</u>           |

The depreciation charge has been funded by:

|   |               |
|---|---------------|
| Deferred capital grants released ( <i>note 20</i> ) | 15,798        |
| General income                                      | 13,144        |
|   | <u>28,942</u> |

| Other operating expenses include:                                 | 2014-15<br>£000 | 2013-14<br>£000 |
|---|-----------------|-----------------|
| External auditor's remuneration in respect of audit services:     |                 |                 |
| University financial statements                                   | 75              | 100             |
| Subsidiary financial statements                                   | 15              | 5               |
| United States Department of Education                             | 66              | 90              |
| External auditor's remuneration in respect of non-audit services: |                 |                 |
| Consultancy   | 48              | 44              |
| Certifications  | 4               | 10              |

Notes to the accounts *continued*

For the year ended 31 July 2015

## 11. TANGIBLE ASSETS

| Consolidated            | Land and buildings |                           |                            | Plant<br>equipment | Furniture<br>and<br>equipment | Assets in the               |                                   | Total            |
|-------------------------|--------------------|---------------------------|----------------------------|--------------------|-------------------------------|-----------------------------|-----------------------------------|------------------|
|                         | Freehold<br>£000   | Long<br>leasehold<br>£000 | Short<br>leasehold<br>£000 |                    |                               | Leased<br>equipment<br>£000 | course of<br>construction<br>£000 |                  |
| <b>Cost</b>             |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 1 August 2014        | 356,629            | 351,557                   | 29,228                     | 59,563             | 91,571                        | 21,733                      | 153,028                           | 1,063,309        |
| Additions               | 61                 | 401                       | –                          | 1,490              | 8,613                         | –                           | 70,699                            | 81,264           |
| Transfers               | 96,179             | 1,678                     | 384                        | 16,743             | 1,613                         | –                           | (116,597)                         | –                |
| Disposals               | (8,588)            | (2,050)                   | –                          | –                  | (3,426)                       | –                           | –                                 | (14,064)         |
| At 31 July 2015         | <u>444,281</u>     | <u>351,586</u>            | <u>29,612</u>              | <u>77,796</u>      | <u>98,371</u>                 | <u>21,733</u>               | <u>107,130</u>                    | <u>1,130,509</u> |
| <b>Depreciation</b>     |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 1 August 2014        | 72,635             | 71,656                    | 7,787                      | 13,575             | 78,298                        | 11,591                      | –                                 | 255,542          |
| Charge for year         | 7,106              | 5,445                     | 2,294                      | 5,553              | 7,095                         | 1,449                       | –                                 | 28,942           |
| Eliminated on disposals | (3,299)            | (776)                     | –                          | –                  | (3,426)                       | –                           | –                                 | (7,501)          |
| At 31 July 2015         | <u>76,442</u>      | <u>76,325</u>             | <u>10,081</u>              | <u>19,128</u>      | <u>81,967</u>                 | <u>13,040</u>               | <u>–</u>                          | <u>276,983</u>   |
| <b>Net book value</b>   |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 31 July 2015         | <u>367,839</u>     | <u>275,261</u>            | <u>19,531</u>              | <u>58,668</u>      | <u>16,404</u>                 | <u>8,693</u>                | <u>107,130</u>                    | <u>853,526</u>   |
| At 1 August 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>   |

| University              | Land and buildings |                           |                            | Plant<br>equipment | Furniture<br>and<br>equipment | Assets in the               |                                   | Total            |
|-------------------------|--------------------|---------------------------|----------------------------|--------------------|-------------------------------|-----------------------------|-----------------------------------|------------------|
|                         | Freehold<br>£000   | Long<br>leasehold<br>£000 | Short<br>leasehold<br>£000 |                    |                               | Leased<br>equipment<br>£000 | course of<br>construction<br>£000 |                  |
| <b>Cost</b>             |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 1 August 2014        | 357,239            | 352,453                   | 29,300                     | 59,637             | 91,596                        | 21,733                      | 153,470                           | 1,065,428        |
| Additions               | 61                 | 401                       | –                          | 1,265              | 8,495                         | –                           | 70,840                            | 81,062           |
| Transfers               | 96,590             | 1,678                     | 384                        | 16,743             | 1,635                         | –                           | (117,030)                         | –                |
| Disposals               | (8,588)            | (2,050)                   | –                          | –                  | (3,426)                       | –                           | –                                 | (14,064)         |
| At 31 July 2015         | <u>445,302</u>     | <u>352,482</u>            | <u>29,684</u>              | <u>77,645</u>      | <u>98,300</u>                 | <u>21,733</u>               | <u>107,280</u>                    | <u>1,132,426</u> |
| <b>Depreciation</b>     |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 1 August 2014        | 72,635             | 71,656                    | 7,787                      | 13,575             | 78,298                        | 11,591                      | –                                 | 255,542          |
| Charge for year         | 7,106              | 5,445                     | 2,294                      | 5,531              | 7,071                         | 1,449                       | –                                 | 28,896           |
| Eliminated on disposals | (3,299)            | (776)                     | –                          | –                  | (3,426)                       | –                           | –                                 | (7,501)          |
| At 31 July 2015         | <u>76,442</u>      | <u>76,325</u>             | <u>10,081</u>              | <u>19,106</u>      | <u>81,943</u>                 | <u>13,040</u>               | <u>–</u>                          | <u>276,937</u>   |
| <b>Net book value</b>   |                    |                           |                            |                    |                               |                             |                                   |                  |
| At 31 July 2015         | <u>368,860</u>     | <u>276,157</u>            | <u>19,603</u>              | <u>58,539</u>      | <u>16,357</u>                 | <u>8,693</u>                | <u>107,280</u>                    | <u>855,489</u>   |
| At 1 August 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>   |

The total amount of interest included in assets above amounted to £1,740,000 (2014 – £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 £1,609,000 and £46,860,000 respectively.

Included in the above are assets with a net book value of £424,787,000 (2014 – £416,164,000) funded by capital grants (*note 20*).

## Notes to the accounts *continued*

*For the year ended 31 July 2015*

### 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 peacekeeping; 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](http://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 2015

## 13. INVESTMENTS

|                               | Consolidated  |               | University    |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2015<br>£000  | 2014<br>£000  | 2015<br>£000  | 2014<br>£000  |
| Francis Crick Institute       | 33,916        | 33,916        | 33,916        | 33,916        |
| Other fixed asset investments | 301           | 125           | 301           | 125           |
|                               | <u>34,217</u> | <u>34,041</u> | <u>34,217</u> | <u>34,041</u> |

The university owns 100% of the issued ordinary share capital of College Facilities Limited (for construction services), King's College London Business Limited (for information technology support) and King's Talent Bank Limited (for the provision of temporary staff). These companies are registered in England and their operating activities are in the United Kingdom.

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

## 14. ENDOWMENT ASSET INVESTMENTS

|                                     | Consolidated and University |                 |
|-------------------------------------|-----------------------------|-----------------|
|                                     | 2014–15<br>£000             | 2013–14<br>£000 |
| Balance at 1 August                 | 162,597                     | 154,085         |
| Additions                           | 9,000                       | 32,907          |
| Disposals                           | (1,980)                     | (28,990)        |
| Revaluation                         | 6,168                       | 3,187           |
| Increase in cash balances           | 3,588                       | 1,408           |
| Balance at 31 July                  | <u>179,373</u>              | <u>162,597</u>  |
| Fixed interest stocks               | 29,158                      | 24,428          |
| Equities                            | 127,797                     | 119,339         |
| Bank balances                       | 22,418                      | 18,830          |
| Total endowment asset investments   | <u>179,373</u>              | <u>162,597</u>  |
| Fixed interest and equities at cost | <u>131,134</u>              | <u>123,926</u>  |

## 15. DEBTORS

|                                    | Consolidated  |               | University    |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2015<br>£000  | 2014<br>£000  | 2015<br>£000  | 2014<br>£000  |
| Trade debtors                      | 24,268        | 19,106        | 24,268        | 19,106        |
| Other debtors                      | 20,791        | 14,091        | 20,663        | 13,120        |
| Research grant debtors             | 24,235        | 25,637        | 24,235        | 25,637        |
| Research grant work in progress    | 16,444        | 16,076        | 16,444        | 16,076        |
| Prepayments and accrued income     | 3,991         | 3,302         | 3,991         | 3,302         |
| Amounts owed by group undertakings | –             | –             | 590           | 7,227         |
|                                    | <u>89,729</u> | <u>78,212</u> | <u>90,191</u> | <u>84,468</u> |



Notes to the accounts *continued*

For the year ended 31 July 2015

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|   | Consolidated   |                | University     |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>£000   | 2014<br>£000   | 2015<br>£000   | 2014<br>£000   |
| Trade creditors   | 35,237         | 29,522         | 32,228         | 28,021         |
| Payments received on account                                | 104,624        | 106,649        | 104,624        | 106,649        |
| Other creditors and accruals                                | 65,902         | 42,497         | 54,301         | 37,221         |
| Social security and other taxation payable                  | 9,753          | 9,211          | 9,642          | 9,211          |
| Amounts owed to group undertakings                          | –              | –              | 3,960          | 19             |
| Obligations under finance leases ( <i>note 18</i> )         | 1,645          | 1,645          | 1,645          | 1,645          |
| Current element of long-term liabilities ( <i>note 18</i> ) | 4,003          | 3,804          | 4,003          | 3,804          |
|   | <u>221,164</u> | <u>193,328</u> | <u>210,403</u> | <u>186,570</u> |

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

|   | Consolidated   |                | University     |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>£000   | 2014<br>£000   | 2015<br>£000   | 2014<br>£000   |
| Obligations under finance leases ( <i>note 18</i> ) | 13,605         | 13,743         | 13,605         | 13,743         |
| Term deposits for loan repayments                   | (5,462)        | (4,643)        | (5,462)        | (4,643)        |
|   | <u>8,143</u>   | <u>9,100</u>   | <u>8,143</u>   | <u>9,100</u>   |
| Loans ( <i>note 18</i> )                            | 292,324        | 158,701        | 292,324        | 158,701        |
| Total long-term borrowings                          | <u>300,467</u> | <u>167,801</u> | <u>300,467</u> | <u>167,801</u> |
| Lease premium on development property               | 22,000         | –              | 22,000         | –              |
|   | <u>322,467</u> | <u>167,801</u> | <u>322,467</u> | <u>167,801</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          |                |
|   | 2015<br>£000                | 2014<br>£000  | 2015<br>£000   | 2014<br>£000   |
| Obligations under finance leases fall due and loans are repayable as follows: |                             |               |                |                |
| Between one and two years   | 1,645                       | 1,645         | 4,219          | 4,003          |
| Between two and five years  | 4,936                       | 4,936         | 14,072         | 13,350         |
| Total between one and five years  | <u>6,581</u>                | <u>6,581</u>  | <u>18,291</u>  | <u>17,353</u>  |
| Over five years   | 7,024                       | 7,162         | 274,033        | 141,348        |
| Total over one year ( <i>note 17</i> )  | <u>13,605</u>               | <u>13,743</u> | <u>292,324</u> | <u>158,701</u> |
| Within one year ( <i>note 16</i> )  | <u>1,645</u>                | <u>1,645</u>  | <u>4,003</u>   | <u>3,804</u>   |
|   | <u>15,250</u>               | <u>15,388</u> | <u>296,327</u> | <u>162,505</u> |

Loans with interest rates between 7.80% and 9.58% amounting to £37,324,000 are repayable by instalments falling due between 1 August 2016 and 17 September 2027.

On 27 April 2001, the university issued £60m of 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.

Notes to the accounts *continued*

For the year ended 31 July 2015

18. BORROWINGS (*continued*)

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.

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

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

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

## 19. PROVISIONS FOR LIABILITIES AND CHARGES

|   | <b>Consolidated and University<br/>£000</b> |
|---|---|
| At 1 August 2014  | 12,975                                      |
| Utilised in year  | (8,322)                                     |
| Transferred from Income and Expenditure Account during the year | –   |
| At 31 July 2015   | <u>4,653</u>                                |

The provisions relate to reorganising costs arising in order to achieve the university's Strategic Plan and lease dilapidations.

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

|                                    | <b>Consolidated and University<br/>Other</b> |   |                       |
|------------------------------------|--|---|-----------------------|
|                                    | <b>Funding<br/>Council<br/>£000</b>          | <b>grants and<br/>benefactions<br/>£000</b> | <b>Total<br/>£000</b> |
| At 1 August 2014                   |  |   |                       |
| Buildings                          | 229,594                                      | 132,815                                     | 362,409               |
| Plant                              | 32,497                                       | 2,639                                       | 35,136                |
| Equipment                          | 9,359  | 9,260                                       | 18,619                |
| Total                              | <u>271,450</u>                               | <u>144,714</u>                              | <u>416,164</u>        |
| Cash received                      |  |   |                       |
| Buildings                          | 8,932  | 226   | 9,158                 |
| Plant                              | 970  | 6,327                                       | 7,297                 |
| Equipment                          | 1,809  | 6,157                                       | 7,966                 |
| Total                              | <u>11,711</u>                                | <u>12,710</u>                               | <u>24,421</u>         |
| Released to income and expenditure |  |   |                       |
| Buildings ( <i>note 1</i> )        | (5,544)                                      | (3,056)                                     | (8,600)               |
| Plant ( <i>note 1</i> )            | (3,196)                                      | (269)                                       | (3,465)               |
| Equipment ( <i>note 1</i> )        | (55)   | (3,678)                                     | (3,733)               |
| Total ( <i>note 10</i> )           | <u>(8,795)</u>                               | <u>(7,003)</u>                              | <u>(15,798)</u>       |
| At 31 July 2015                    |  |   |                       |
| Buildings                          | 232,982                                      | 129,985                                     | 362,967               |
| Plant                              | 30,271                                       | 8,697                                       | 38,968                |
| Equipment                          | 11,113                                       | 11,739                                      | 22,852                |
| Total                              | <u>274,366</u>                               | <u>150,421</u>                              | <u>424,787</u>        |

Notes to the accounts *continued*

For the year ended 31 July 2015

## 21. ENDOWMENTS

|   | Consolidated and University  |                               |                |
|---|------------------------------|-------------------------------|----------------|
|   | Restricted permanent<br>£000 | Restricted expendable<br>£000 | Total<br>£000  |
| At 1 August 2014  | 138,314                      | 24,283                        | 162,597        |
| Additions   | 8,200                        | 1,673                         | 9,873          |
| Change in value of endowment asset investments                  | 5,622                        | 546                           | 6,168          |
| Income for year   | 4,134                        | 675                           | 4,809          |
| Transferred to Income and Expenditure Account ( <i>note 5</i> ) | (3,226)                      | (848)                         | (4,074)        |
| At 31 July 2015   | <u>153,044</u>               | <u>26,329</u>                 | <u>179,373</u> |
| Endowment capital   | 147,478                      | 17,381                        | 164,859        |
| Accumulated income  | <u>5,566</u>                 | <u>8,948</u>                  | <u>14,514</u>  |
|   | <u>153,044</u>               | <u>26,329</u>                 | <u>179,373</u> |

|   | At 1 August<br>2014<br>£000 | Additions<br>and<br>transfers<br>£000 | Change in<br>market<br>value<br>£000 | Income<br>£000 | Expenditure<br>£000 | At 31 July<br>2015<br>£000 |
|---|-----------------------------|---------------------------------------|--------------------------------------|----------------|---------------------|----------------------------|
| <b>Funds with income under £100,000</b> |                             |                                       |                                      |                |                     |                            |
| Scholarships (164 funds)                | 21,884                      | 673                                   | 898                                  | 608            | (486)               | 23,577                     |
| Prize funds (262 funds)                 | 7,254                       | 5                                     | 301                                  | 202            | (35)                | 7,727                      |
| Chairs and lectureships (178 funds)     | 95,290                      | 9,195                                 | 3,358                                | 2,741          | (2,703)             | 107,881                    |
| Other funds (77 funds)                  | 11,265                      | –                                     | 470                                  | 495            | (120)               | 12,110                     |
| <b>Funds with income over £100,000</b>  |                             |                                       |                                      |                |                     |                            |
| Dimbleby Endowment Fund                 | 7,657                       | –                                     | 329                                  | 220            | (213)               | 7,993                      |
| Newland-Pedley General Fund             | 14,601                      | –                                     | 623                                  | 416            | (477)               | 15,163                     |
| Richard Dickinson USA Fund              | 4,646                       | –                                     | 189                                  | 127            | (40)                | 4,922                      |
|   | <u>162,597</u>              | <u>9,873</u>                          | <u>6,168</u>                         | <u>4,809</u>   | <u>(4,074)</u>      | <u>179,373</u>             |

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

The university acknowledges the receipt of a generous donation of £1,500,000 from the Perseverance Trust to be used for scholarships, bursaries and widening participation initiatives at the Florence Nightingale Faculty of Nursing & Midwifery.

Notes to the accounts *continued**For the year ended 31 July 2015*

## 22. RESERVES

|  | <b>Consolidated</b> | <b>University</b> |
|--|---------------------|-------------------|
|  | <b>£000</b>         | <b>£000</b>       |
| Balance at 1 August 2014   | 249,613             | 251,706           |
| Surplus after depreciation of assets at cost and tax             | 57,168              | 57,309            |
| Balance at 31 July 2015  | <u>306,781</u>      | <u>309,015</u>    |
| The reserves are:  |                     |                   |
| Income and expenditure reserve, which is nominally allocated to: |                     |                   |
| Capital reserve  | 106,272             | 108,235           |
| Departmental reserves  | 65,263              | 65,263            |
| Revenue reserve  | 135,246             | 135,517           |
| General reserves   | 200,509             | 200,780           |
| Total income and expenditure reserve                             | <u>306,781</u>      | <u>309,015</u>    |

The capital reserve is equivalent to the amount by which the value of tangible fixed assets in the Balance Sheet exceeds long-term borrowings 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

|  | <b>Consolidated and University</b> |               |
|--|------------------------------------|---------------|
|  | <b>2015</b>                        | <b>2014</b>   |
|  | <b>£000</b>                        | <b>£000</b>   |
| Commitments contracted at 31 July                    | 37,676                             | 29,811        |
| Commitments authorised but not contracted at 31 July | 98,485                             | 29,237        |
|  | <u>136,161</u>                     | <u>59,048</u> |

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

|   | <b>2014-15</b> | <b>2013-14</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Surplus before tax  | 61,349         | 3,822          |
| Depreciation ( <i>note 11</i> )                               | 28,942         | 26,946         |
| Deferred capital grants released to income ( <i>note 20</i> ) | (15,798)       | (16,388)       |
| Investment income ( <i>note 5</i> )                           | (5,170)        | (5,774)        |
| Interest payable ( <i>note 8</i> )                            | 12,854         | 12,213         |
| Pension scheme FRS17 income and costs                         | –              | (1,390)        |
| Surplus on disposal of tangible fixed assets                  | (17,573)       | (5,963)        |
| Increase in debtors   | (15,698)       | (11,405)       |
| Decrease in pensions liability                                | –              | (453)          |
| Increase in creditors   | 26,868         | 5,828          |
| (Decrease)/increase in provisions                             | (8,322)        | 8,322          |
| Net cash inflow from operating activities                     | <u>67,452</u>  | <u>15,758</u>  |

Notes to the accounts *continued*

For the year ended 31 July 2015

| 25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                   | <b>2014-15</b>       | <b>2013-14</b>   |                |                     |
|---|----------------------|------------------|----------------|---------------------|
|   | <b>£000</b>          | <b>£000</b>      |                |                     |
| Income from endowments ( <i>note 21</i> )                             | 4,809                | 4,534            |                |                     |
| Interest received   | 1,096                | 1,081            |                |                     |
| Interest paid   | <u>(7,694)</u>       | <u>(7,832)</u>   |                |                     |
| Net cash outflow from returns on investments and servicing of finance | <u>(1,789)</u>       | <u>(2,217)</u>   |                |                     |
|   |                      |                  |                |                     |
| 26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT                      | <b>2014-15</b>       | <b>2013-14</b>   |                |                     |
|   | <b>£000</b>          | <b>£000</b>      |                |                     |
| Tangible assets acquired ( <i>note 11</i> )                           | (81,264)             | (105,866)        |                |                     |
| Investments acquired  | (176)                | (8,412)          |                |                     |
| Endowment asset investments acquired ( <i>note 14</i> )               | <u>(9,000)</u>       | <u>(32,907)</u>  |                |                     |
| Total tangible and investment assets acquired                         | <u>(90,440)</u>      | <u>(147,185)</u> |                |                     |
| Receipts from sale of tangible assets                                 | 24,136               | 6,854            |                |                     |
| Receipt from sale of lease premium                                    | 22,000               | –                |                |                     |
| Receipts from sale of endowment assets ( <i>note 14</i> )             | 1,980                | 28,990           |                |                     |
| Deferred capital grants received ( <i>note 20</i> )                   | 24,421               | 22,976           |                |                     |
| Endowments received ( <i>note 21</i> )                                | <u>9,873</u>         | <u>5,484</u>     |                |                     |
| Net cash outflow from capital expenditure and financial investment    | <u>(8,030)</u>       | <u>(82,881)</u>  |                |                     |
|   |                      |                  |                |                     |
| 27. MANAGEMENT OF LIQUID RESOURCES                                    | <b>2014-15</b>       | <b>2013-14</b>   |                |                     |
|   | <b>£000</b>          | <b>£000</b>      |                |                     |
| Movement in endowment assets ( <i>note 14</i> )                       | <u>(3,588)</u>       | <u>(1,408)</u>   |                |                     |
| Net cash movement from management of liquid resources                 | <u>(3,588)</u>       | <u>(1,408)</u>   |                |                     |
|   |                      |                  |                |                     |
| 28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR     | <b>2014-15</b>       | <b>2013-14</b>   |                |                     |
|   | <b>£000</b>          | <b>£000</b>      |                |                     |
| Borrowings repaid   | (3,804)              | (3,615)          |                |                     |
| New long-term loans   | 134,743              | –                |                |                     |
| Repayment of capital element of finance leases                        | <u>(2,465)</u>       | <u>(2,356)</u>   |                |                     |
| Net cash inflow/(outflow) from financing                              | <u>128,474</u>       | <u>(5,971)</u>   |                |                     |
|   |                      |                  |                |                     |
| 29. ANALYSIS OF CHANGES IN NET CASH                                   | <b>At</b>            | <b>Cash</b>      | <b>Other</b>   | <b>At</b>           |
|   | <b>1 August 2014</b> | <b>flows</b>     | <b>changes</b> | <b>31 July 2015</b> |
|   | <b>£000</b>          | <b>£000</b>      | <b>£000</b>    | <b>£000</b>         |
| Cash at bank and in hand  | 119,861              | 182,519          | –              | 302,380             |
| Endowment asset investments ( <i>note 14</i> )                        | 18,830               | 3,588            | –              | 22,418              |
|   | <u>138,691</u>       | <u>186,107</u>   | <u>–</u>       | <u>324,798</u>      |
| Debt due within one year  | (5,449)              | 5,449            | (5,648)        | (5,648)             |
| Debt due after one year   | <u>(167,801)</u>     | <u>(133,923)</u> | <u>1,257</u>   | <u>(300,467)</u>    |
| Net (debt)/cash   | <u>(34,559)</u>      | <u>57,633</u>    | <u>(4,391)</u> | <u>18,683</u>       |

Notes to the accounts *continued*

For the year ended 31 July 2015

## 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 on a consistent and reasonable basis and therefore, as required by FRS17 Retirement Benefits, it accounts for the schemes as if they were defined-contribution schemes.

**Universities Superannuation Scheme (USS)**

The latest available triennial actuarial valuation of the scheme was as at 31 March 2014, which used the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016. In 2015, the percentage was 16% (2014 – 16%).

The assumptions that have the most significant effect on the result of the valuation and the valuation results are set out below.

|  |   |                   |
|--|---|-------------------|
|  | <b>2015</b>                                     | <b>2014</b>       |
| Discount rate  | 3.3%  | 4.5%              |
| Pensionable salary growth in the first year  | 3.5%  | 4.4%              |
| Pensionable salary growth after the first year                                       | 4.0%  | n/a               |
| Price inflation (CPI)  | 2.2%  | 2.6%              |
| Market value of assets at date of last valuation                                     |   | £41,600m          |
| Value of past service liabilities at date of last valuation                          |   | £46,900m          |
| Deficit of assets at date of last valuation  |   | £5,300m           |
| Proportion of members' accrued benefits covered by the actuarial value of the assets |   | 89%               |
| 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:                           | <b>2015</b>                                     | <b>2014</b>       |
|  |   |                   |
| Males (females) currently aged 65  | 24.2 (26.3) years                               | 23.7 (25.5) years |
| Males (females) currently aged 45  | 26.2 (28.6) years                               | 25.6 (27.6) years |
| Existing benefits  | <b>2015</b>                                     | <b>2014</b>       |
| Scheme assets  | £49,000m  | £41,600m          |
| FRS17 liabilities  | £67,600m  | £55,500m          |
| FRS17 deficit  | £18,600m  | £13,900m          |
| FRS17 funding level  | 72%   | 75%               |

The next formal triennial actuarial valuation is due as at 31 March 2017.

**Superannuation Arrangements of the University of London (SAUL)**

The last completed actuarial valuation was carried out as at 31 March 2011; the actuarial valuation as at 31 March 2014 has not yet been completed. These valuations use the projected unit credit method, in which the actuarial liability makes allowance for projected earnings.

The following assumptions were used in the 2011 actuarial valuation 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%   |
| 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                               |

Notes to the accounts *continued**For the year ended 31 July 2015***30. PENSIONS** *(continued)*

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.

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 was expected to be eliminated by 31 March 2021.

A more recent valuation has been undertaken as at 31 March 2014 and, while this valuation is not complete, the provisional funding position at this date indicates that the past service deficit has increased. The SAUL negotiating committee has agreed a recovery plan that will maintain member contributions at 6% of salaries, increase employer contributions to 16% of salaries and close the final-salary section. This means that all members will build up their future benefits in the CARE section, and the link to final salary will be broken. If these proposals are formally agreed the new benefits structure, which includes an enhancement to the CARE accrual rate for all members, will be implemented from 1 April 2016.

Summary of the funding position at 31 March 2014 (based on provisional valuation) and 31 March 2011 (previous valuation):

|                        | 2014    | 2011    |
|------------------------|---------|---------|
| Market value of assets | £1,924m | £1,506m |
| Technical provisions   | £2,042m | £1,581m |
| Past service deficit   | £118m   | £75m    |
| Funding level          | 94%     | 95%     |

**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 and 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, and 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 was eliminated in May 2014.

The total actuarial loss of £600,000 for 2014 was included in the Statement of Recognised Gains and Losses in 2014.

**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.

Notes to the accounts *continued**For the year ended 31 July 2015*30. PENSIONS (*continued*)**Total pensions costs for the university and its subsidiaries**

|  | Consolidated    |                 | University      |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2014–15<br>£000 | 2013–14<br>£000 | 2014–15<br>£000 | 2013–14<br>£000 |
| Contributions to USS                   | 29,889          | 29,121          | 29,889          | 29,121          |
| Contributions to SAUL                  | 5,181           | 4,901           | 5,181           | 4,901           |
| Contributions to NHSPS                 | 4,157           | 4,218           | 4,157           | 4,218           |
| Contributions to other pension schemes | 122             | 82              | 113             | 82              |
| Total pensions costs ( <i>note 6</i> ) | <u>39,349</u>   | <u>38,322</u>   | <u>39,340</u>   | <u>38,322</u>   |

## 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.

David Cripps, a member of the Estates and Strategy Committee, is also a consultant at Strutt & Parker LLP, which provided professional services of £527,000 to the university during the year. A further £660,000 is payable to Strutt & Parker LLP in respect of services negotiating the leases of property in the Strand which were entered into after the year end.



Notes to the accounts *continued**For the year ended 31 July 2015***32. ACCESS FUNDS AND TRAINING SALARIES**

|  | <b>Consolidated and University</b> |                |                          |                |
|--|------------------------------------|----------------|--------------------------|----------------|
|  | <b>Access funds</b>                |                | <b>Training salaries</b> |                |
|  | <b>2014-15</b>                     | <b>2013-14</b> | <b>2014-15</b>           | <b>2013-14</b> |
|  | <b>£000</b>                        | <b>£000</b>    | <b>£000</b>              | <b>£000</b>    |
| Balance underspent at 1 August   | 98                                 | 34             | 156                      | 10             |
| Funding Council and Training and Development Agency for Schools grants | –                                  | 284            | 2,958                    | 2,181          |
| Interest earned  | –                                  | 1              | –                        | –              |
|  | <u>–</u>                           | <u>285</u>     | <u>2,958</u>             | <u>2,181</u>   |
| Disbursed to students  | (96)                               | (212)          | (2,872)                  | (2,035)        |
| Administrative expenses  | –                                  | (9)            | –                        | –              |
|  | <u>(96)</u>                        | <u>(221)</u>   | <u>(2,872)</u>           | <u>(2,035)</u> |
| Balance underspent at 31 July  | <u>2</u>                           | <u>98</u>      | <u>242</u>               | <u>156</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.

**33. EVENTS AFTER THE REPORTING PERIOD**

In September 2015 the university entered into four leases for properties in the Strand for a period of 50 years with break options at 25, 35 and 45 years. There is an initial rent-free period of 18 months, with an annual rent thereafter of £8m plus VAT. The leases will be accounted for as operating leases under FRS102.

