KING'S *College* LONDON

Financial Statements

for the year to 31 July 2008

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Council and Council committee membership 2007–8

Council

The Baroness Rawlings FKC
[Chairman to 30 September 2007]
The Marquess of Douro MA OBE DL
[Chairman from 1 October 2007]
Professor Richard Trainor FKC *[Principal]*
Mr Tom AbouNader
Mr Adam Boulton
Mr Ken Bromfield
The Rt Revd Dr Tom Butler, Bishop of Southwark
Professor Paul Ciclitira
Mrs Blondel Cluff
Mr Patrick Disney
Mr Adam Farley
Professor Sir Lawrence Freedman KCMG CBE FKC
Professor Chris Hamnett
Professor Keith Hoggart FKC
Professor Simon Howell
Professor Trevor Jones CBE FRSC FKC
Mrs Isabelle Laurent
Professor Robert Lechler FKC
Mr Andrew Leung
Dr Mark Miodownik
Mr Harry Musselwhite FKC
Sir Michael Pakenham KBE CMG
Ms Angela Parry
Dr Stewart Paterson
Mrs Olga Polizzi CBE FKC
Mr David Potter FKC
Mr David Price
Mr Steven Rhodes AKC
Mr James Ritblat
Mr Duncan Selbie
Dr Mike Slade
Mr Rory Tapner
His Hon Judge Toulmin CMG QC FKC
Ms Pauline Walker
Professor Phil Whitfield FKC
Ms Fields Wicker-Miuirin OBE
Ms Jo Williams
Veena, Lady Williams of Mostyn

Chairman's Committee

The Marquess of Douro MA OBE DL *[Chairman]*
Professor Richard Trainor FKC *[Principal]*
Mr Adam Boulton
Mr Ian Creagh
Professor Sir Lawrence Freedman KCMG CBE FKC
Professor Keith Hoggart FKC
Professor Robert Lechler FKC
Mr Chris Mottershead
Mrs Olga Polizzi CBE FKC
Mr James Ritblat
Mr Rory Tapner
Professor Phil Whitfield FKC
Ms Fields Wicker-Miuirin OBE

Finance Committee

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[Chairman to 22 November 2007]
Mr Rory Tapner *[Chairman from 23 November 2007]*
Professor Richard Trainor FKC *[Principal]*
Mr Ian Creagh
Professor Simon Howell
Mr Michael Kier
Mr Stephen Large
Mrs Isabelle Laurent
Mr David Price

Audit and Compliance Committee

Ms Fields Wicker-Miuirin OBE *[Chairman]*
Professor Stephen Challacombe
Mr Patrick Disney
Professor Chris Hamnett
Mr Andrew Neill

Investments (Sub)-Committee

Mr David Price *[Chairman to 6 June 2008]*
Mr Rory Tapner *[Acting Chairman from 7 June 2008]*
Professor Richard Trainor FKC *[Principal]*
Mr Keith Jeremiah
Mr Patrick Johns
Mr Stephen Large
Mr Mark Laurence
Mrs Isabelle Laurent
Mr David Potter FKC

Estates Strategy Committee

Mr James Ritblat *[Chairman]*
Professor Richard Trainor FKC *[Principal]*
Mr Ian Creagh
Sir Michael Pakenham KBE CMG

Operating and financial review for the year ended 31 July 2008

Scope of the financial statements

The financial statements comprise the consolidated results of the College and its subsidiary undertakings, King's College London Business Ltd (King's Business), Closeworld Ltd, College Facilities Ltd, Doublerace Ltd and KCL Library and Archive Services Ltd. All subsidiaries donate the bulk of their profits to the College using gift aid.

King's College London Business Ltd undertakes activities associated with the promotion of research contracts, intellectual property rights and other marketable activity which, for legal or commercial reasons, are more appropriately channelled through a limited company.

KCL Library and Archive Services Ltd ceased trading with effect from 21 July 2007. The lease of the Maughan Library was surrendered and assets transferred back to the College in December 2007.

Closeworld Ltd and Doublerace Ltd surrendered their interest in Franklin Wilkins Building and New Hunts House in April and May 2008 respectively with all outstanding monies repaid or provided for. Both companies were dormant at the year end and will be wound up in 2009.

Vision

The Strategic Plan sets out a vision for King's as one of the world's leading university institutions, comparable in all respects to the world's best universities. The aim is to be consistently rated within the top six universities in the UK and the top 25 in the world by 2016.

The Strategic Plan identifies the following key targets to help the College realise this ambition.

Teaching

- To improve further the quality of the College's student intake, the student experience at King's and the extent to which the College creates employable graduates.
- To provide students with a range of intellectually stimulating and challenging programmes and courses that will enable them to develop their knowledge and skills.
- To expand significantly the number and experience of international graduate students.

Research

- To obtain enhanced external recognition of the College's research stature through outstanding research assessment results in 2008 and thereafter.
- To increase very substantially King's research funding, in particular the collaborative and entrepreneurial funding from the business sector.

Value added

- To develop King's role as a leading-edge contributor to society and regeneration.
- To maximise the commercial development of the College's intellectual property towards new products and services.

Identity

- To consolidate King's as an internationally acclaimed university.
- To develop world-class professional services and infrastructure to support the College's learning and teaching, research and knowledge-transfer aspirations.

Teaching and learning

The strategy of King's College London has been to develop its Health Sciences into a world-class centre of excellence and to balance this development with expansion in its Arts & Sciences Schools at the Strand and Waterloo campuses. The College is thus building alliances with two of the most significant industries in London: healthcare, particularly in the NHS, through formal partnership (an Academic Health Sciences Centre or AHSC) with its partner hospital Trusts; and the cultural, creative and heritage sector, most recently through its partnership with Somerset House to create a Somerset House Campus.

These two strategies are complementary and have allowed the College to build a distinctive profile based on its engagement with practitioner communities, from medicine to music. They enable the College to take full advantage of its physical location in the middle of London's cultural centre and also to bring together science, technology and the arts in creative research. The College's plans for its expansion in Somerset House include a truly interdisciplinary blending of art and technology, for example through the creation and display of digital art. King's already offers Master's programmes in Digital Culture & Technology, led by its Centre for Computing in the Humanities and by its Division of Engineering; in due course it intends to offer a parallel MSc in Design which will also look towards both the arts and engineering. The Foundation Degrees proposed here will start to feed students through to this higher-end provision and, eventually, knowledge transfer, as well as meeting employment needs in London.

Similarly, in the healthcare sector, King's has identified through its partner relationships that there is a demand for creative yet employer-focused research in disciplines allied to medicine, which have historically been under-represented at graduate level, to enable them to respond more rapidly to changing trends and scientific developments. In addition, this meets the need to address the higher-skills agenda reflected in a variety of government-sponsored reports. The employer co-funded MScs have been created specifically to respond to this demand from the sector and to take maximum advantage of the opportunities for translational research that will be offered by the creation of the AHSC.

It should be noted that the development of two strands of expansion is seen as sound risk management, in that the College is not totally dependent on the continuing strength of either the health or the creative sector.

The core of the College's strategy is its determination to attract the best students targeted in precise numbers in terms of undergraduate (UG), graduate taught (GT), graduate research (GR) and overseas. Work in hand to support the College's student recruitment aspirations includes:

- Increasing graduate studentships.
- Building the College's international marketing development capability through direct student recruitment and by creating a network of professional recruitment agencies.
- Enhancing the efficiency of high-fee-paying student admissions to facilitate the achievement of the College's student recruitment and retention targets. The multiple nodes of admissions expertise across the College will be collapsed into two campus-based admissions units using a web-based admissions system. Success will be measured by increases in high-fee student numbers.
- An international advertising campaign to promote the King's brand, raising the international profile of the College among prospective students, recruitment agencies and stakeholders influencing student opinion and choices.
- Building international PR capacity, to lift the international profile of King's to assist with international student recruitment in key markets. A dedicated international PR officer will be appointed to co-ordinate international brand advertising, international visits and recruitment events. Key publications and other communication channels in relevant markets will be targeted.
- Enhancing King's web-based marketing, to improve the College's web presence as it relates to capturing prospective students and fulfilling their information needs so that they are successfully recruited. The web-based 'selling copy' on key external facing web pages will be improved and the undergraduate and graduate online prospectuses redeveloped.
- Implementing international foundation and graduate diploma programmes, to support the achievement of target numbers for international students by delivering quality pathway programmes into the College. Graduate diploma and pre-Master's programmes will be offered in a number of Schools. Success will be measured by increases in income to the English Language Centre and growth in student numbers.
- Expanding the provision of student accommodation, to enhance further the College's attractiveness as a study destination by arranging for sufficient bed stock from third-party providers to support the College's student recruitment targets.
- Ensuring that the support services that help to underpin students' learning experiences are as good as or better than those of the College's competitors, by creating campus-based student centres for integrated and coherent student services.
- Creation of a Denmark Hill chaplaincy capability, in partnership with the Southwark Diocese, to act as a pastoral resource for the students (and staff) at this campus from September 2008.
- Expansion of English-language support for non-English-speaking students, targeted at distinct groups, to help increased numbers of international students requiring in-session English language and study skills.

Following the agreement on targets for the coming years, the Higher Education Funding Council for England (HEFCE) announced its proposal to withdraw funding for students with Equivalent or Lower Qualifications (ELQ). This immediately affected around 400 of the College's students and despite transitional relief will reduce funding income by approximately £4m over the next three years, plus loss of associated fee income. HEFCE's announcement, in November 2008, of the suspension of its allocation process of additional student numbers means that student shortfalls will need to be made good principally through additional high-fee overseas students.

Much work has been done to identify alternate sources of income; the largest are self-funded and commercial. New employer co-funded programmes, particularly in Biomedical and Health Sciences and in the Institute of Psychiatry, are also being developed.

Because of the initiatives outlined above, together with the work specifically in response to ELQ, King's is confident that the targets for student numbers in 2008–9 will be met despite the fact that, for 2007–8, they were below a deliberately ambitious plan, principally reflecting shortfalls in NHS-commissioned numbers.

Research

One of the key areas for the College in achieving its ambitions in terms of research is success in the Research Assessment Exercise (RAE) 2008 as it affects the reputation and funding of the College's research activities. The results are expected in December 2008 but it is unclear at this stage how much research income from the funding council (Quality Research or QR funding) will come to the College based on the results.

HEFCE is currently consulting on how QR funding will be allocated and research quality measured post RAE 2008. Metrics will increasingly be used and in particular the number of PhD students, levels of research income and citation indexes will become very important. The College is already working on ensuring that it is in the best position with regard to these criteria. PhD students and levels of research income are being increased and work is progressing with the citation index providers to improve the quality of the data for King's researchers. The College's citation policy was reviewed and reissued in June 2007 and already there has been a significant rise in citations attributed to the College (48% increase in papers and 68% increase in citations).

The second main area the College is concentrating on to achieve its research goals is levels of research income other than QR. This funding comes from a variety of sources, including the research councils. The target for research income by 2016 is £200m per annum (2007–8 £119m). A number of projects are underway to ensure this is achieved.

A new Vice-Principal (Research and Innovation) was appointed in August 2008. The post-holder will co-ordinate the research and knowledge-transfer activities of the whole institution, with an overarching aim to develop long-term post-RAE research strategy.

Value added

The Strategic Plan envisages an increase in total annual research income from the private sector from £15m in 2006–7 to £55m by 2016. In addition, the target is to increase annual licence income to £1m and annual income from spin-out equity to £3m by 2010.

During the past two years, King's College London Business Ltd (King's Business) has built its contacts within the Schools and raised the College's profile outside in the private sector.

King's Business was restructured and rebranded in May 2007 to achieve a brand position that sets a proactive and professional tone. In particular, King's Business is focusing on:

- enhancing relations with key business sectors
- building the College's external profile with them
- pursuing strategic partnerships, as well as
- continuing to support, promote and encourage day-to-day business development through spin-outs, clinical trials and licences.

Identity

In October 2006, a new Head of Administration and College Secretary was appointed. A review of the managerial responsibilities and reporting lines was undertaken and in December 2006 a new central Professional Services structure was implemented.

A College Operations Executive (COE) was created involving each of the Directorate Heads. The COE meets regularly to provide strategic leadership to and management of the College's Professional Services.

The overall aim of the Strategic Plan is to create a performance culture across the College that competes with the best in the world. King's needs to create leaders in every part of the organisation. A new Human Resources Director was recruited in July 2007.

During the past year the College has:

- Completed the implementation of the Pay and Modernisation framework.
- Worked to develop leadership ability and support. A certified entry-level management programme has been piloted and was formally launched in November 2008. Development of a diploma course in management has started, with a pilot programme planned for 2008–9. A course equipping heads of academic Schools/departments with the necessary skills to perform this role will shortly be developed.

The External Relations Directorate exists to offer strategic direction to the College about the marketplace within which it operates and the products, services and innovation it creates and supplies. It also delivers a range of frontline services in communicating market intelligence within the College and in presenting its key messages to the outside world.

The College has invested in a capital fundraising campaign (2005–10), which will be publicly launched during 2009; the timing of Somerset House decisions will have an impact on the precise date of the launch. For 2007–8, the internal target of £9m has been comfortably exceeded; however, much of this is due to timing rather than unplanned receipts. Investment has been made in international marketing: new markets are being identified and additional efforts are being made to raise the profile of the King's brand globally.

During 2006 the senior management team agreed that the Information Services and Systems (ISS) Connected Campus programme was one of the top priorities for the College over the period to 2010. The new Chief Information Officer was appointed in January 2007 and a strategic and operating review was completed by Easter.

The Connected Campus programme is supported by a three-year investment plan which will deliver:

Details	Date
End-to-end connectivity: upgrades to networks and replacement of outdated servers; research bandwidth and voice-over internet telephony	2007–10
Enabling research: college-wide grants database, pre- and post-award research management and virtual research environment	2007–10
Enabling teaching: online assessment tool, WebCT upgrade and pod casting	2007–10
E-community: applicants portal, alumni portal and web content management	2007–10
Enabling Professional Services: customer relationship management, data warehouse, upgrade of business systems	2007–10

Key elements of the Connected Campus programme are being delivered through a series of projects over the three-year investment period 2007–10. These have been selected and prioritised by a College-wide Connected Campus Programme Board. All elements are running to plan.

The Connected Campus project is also involved in:

- developing service-level agreements explaining the level of provision that can normally be expected from ISS
- conducting a tendering exercise for the outsourced provision of IT training
- creating a post of Assistive Software Support Officer in collaboration with the Department of Equality & Diversity
- assimilating AV Services into ISS, and
- standardising Information Services Centre (ISC) and library opening hours across all campuses and extending the self-service provision.

A review of the library collections and space was undertaken in late 2007. The Principal's Central Team (PCT) approved the recommendations in principle in January 2008 and ISS is now translating them into a phased action plan for the remainder of 2007–8 and beyond.

A new estates strategy was agreed by PCT in November 2007 and it will deliver:

- a shift to planned long-term maintenance of all teaching, research, social and other space, rather than repair of defects
- a minimum 5% space efficiency gain by 2011
- an increased research overhead contribution to space
- more efficient utilisation of teaching space
- improved interactions with NHS partners.

The College operates out of over 400,000 square metres of buildings in central London. Management of the estate confronts every form of complexity from historic sites, through varying ownership, to issues relating to development and planning concerns. The challenge is to continue to do this while bringing the whole estate, across six campuses, up to the standard of a world-class university. Since 1997 some £500m has been invested in one of the largest physical reconstruction programmes of any university in Britain. To complete the programme, a further spend of £170m is planned over the next three years.

King's has a strong financial position. The academic shape of the College has been restructured following the mergers of the late 1990s and its estate has been much improved by the investment of £500m. The College has a Standard & Poor's rating of AA-. Despite this clear evidence of financial strength and prudence, the scale of the resource base of the College still falls some way short of that available to the world's leading research-intensive universities. It is crucial to the success of the Strategic Plan that King's generates significantly more resource, both capital and recurrent, and frees up resources through constructive cost control and the more efficient use of its asset base. This will finance further investment in the people, systems and infrastructure necessary for the College to consolidate its position as a truly world-class institution.

Achieving an internationally competitive level of financial strength is essential if King's is to compete with the world's leading universities for its key academic, student, and resource needs. The strategy proposes a quantum surge in funding from a range of sources, but achieving this in competition with other leading universities in London, the UK and the rest of the developed world will place a demand on all aspects of the organisation.

The major themes of the College's financial planning processes will be:

- Integrating and articulating the long-term strategic and short-term technical planning and review processes so that targets, roles, responsibilities and accountability can be clearly understood and reported upon.
- Supporting all Schools and Professional Services to look for and build opportunities for securing additional funds and surpluses.
- Ensuring that strategic targets are supported by appropriate financial incentives throughout the College.
- Encouraging the generation of funds for strategic investment and incentivising the development of recovery plans where a School is in deficit.

Financial highlights

Results for the year

Total income for the year increased by 9.7% to £447.9m (2006–7 £408.2m). Total expenditure for the year increased by 9.5% to £444.4m (2006–7 £405.9m), giving a surplus on normal operations of £3.5m (2006–7 £2.3m). After accounting for a £5.7m surplus on disposal of property, the overall result for the year was a surplus of £9.2m (2% of income) to transfer to reserves.

	2007–8 £000	2006–7 £000
Income	447,871	408,168
Expenditure	444,419	405,887
Surplus on normal operations	3,452	2,281
Surplus on disposal of property	5,717	–
Taxation	(7)	(1)
Surplus after depreciation of assets at cost and tax	9,162	2,280
Surplus as a % of income	2.0%	0.6%

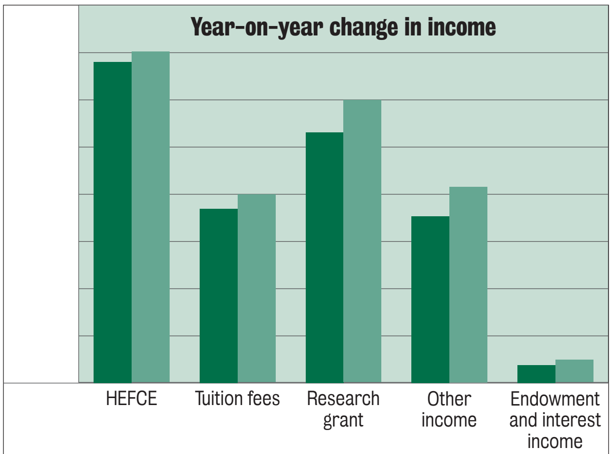
The £3.5m surplus on normal operations benefited from a £0.4m Financial Reporting Standard (FRS) 17 pension impact and a £2.6m surplus of income over expenditure on departmental activities.

	2007–8 £000	2006–7 £000
Surplus on operating activities	435	299
Impact of FRS17	407	(171)
Surplus on departmental activities	2,610	2,153
Surplus on normal operations	3,452	2,281

The actual results are consistent with management's expectations and compare with a planned £1m deficit for the year after the inclusion of major investment across the College. This included approximately £8.5m of commitments from previous years, which covered a full range of academic appointments, studentships and back-office investments together with an additional £0.9m of new investment in respect of technology and systems. The budget also included some stretching targets for overseas student recruitment. Accordingly there is a modest underlying surplus of £0.4m, £1.4m better than planned.

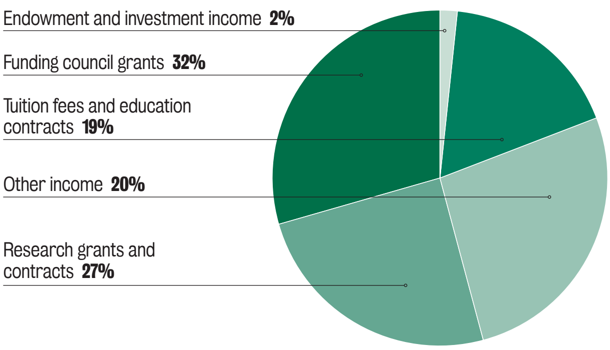
Income growth and diversification

The College's Strategic Plan targets significant income growth over the plan period, in particular international student fees, research income, commercialisation and fundraising. Total income increased by 9.7% to £447.9m.

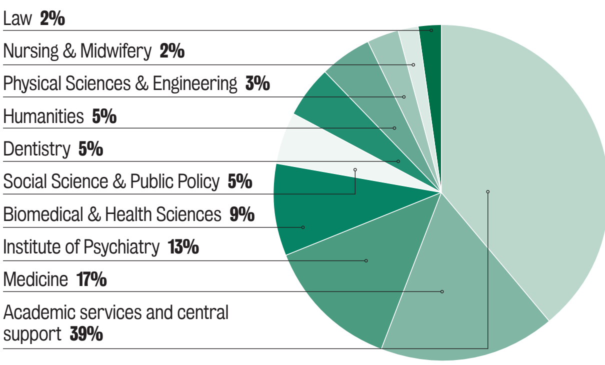


	HEFCE	Tuition fees	Research grant	Other income	Endowment and interest income
2006–7	137,747	76,274	109,926	75,363	8,858
2007–8	144,970	84,594	118,865	88,388	11,054

Income

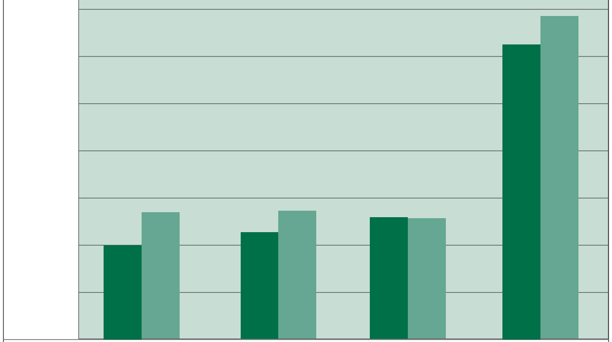


Expenditure



Tuition fees increased by 10.9% to £84.6m.

Tuition fees and education contracts income (£000)



	Full-time UK and EU studies	Full-time overseas students	NHS and other teaching	Total tuition fees and educational contracts
2006–7	22,765	26,025	27,484	76,274
2007–8	28,828	28,701	27,065	84,594

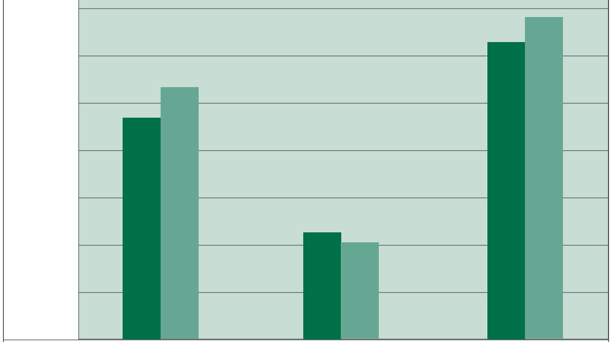
Tuition fees from UK and EU students grew significantly this year to £28.8m, largely as a result of the second year of variable or 'top up' fees.

Income from overseas students (outside the EU) grew by 10.3% to £28.7m as part of the College's targeted growth in full-fee-paying international students.

The 1.5% reduction in other fees relates to reduction in NHS teaching contract income as commissioned numbers reduced, particularly in Nursing & Midwifery in response to NHS budgetary constraints and changing workforce needs. The College responded to these challenges in the short term by adjusting staff headcount in line with the reduced volume of NHS activity, and has developed a longer-term strategy focusing on graduate-level training which better aligns with the College's market position. While good progress has been made, the College remains cautious about the sustainability of NHS teaching contract income.

Research grant and contract income increased by 8.1% to £118.9m.

Research grants and contracts income (£000)



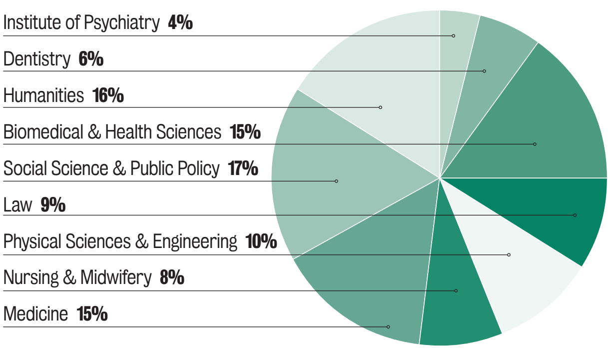
	Research councils, UK charities and government	Industry, overseas and others	Total research grants and contracts
2006–7	81,327	28,599	109,926
2007–8	92,935	25,930	118,865

The College remains very dependent on publicly available research funding, including charitable income, which increased significantly during the year partly as a consequence of an increase in new awards and partly because of price improvement under full Economic Costing (fEC).

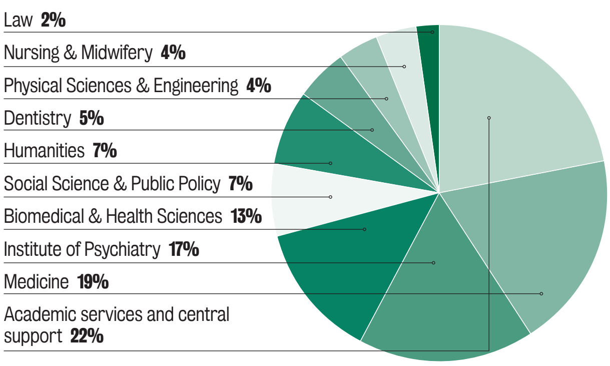
Income from non-UK government sources decreased 9.3% during the year mainly as a consequence of a reduction in commercial income. This reflects the internationally competitive nature of research funding and may signal a reduction in commercial research and development expenditure as the economic downturn begins to take effect. However the College remains committed to the strategy of growing research income from entrepreneurial and business sources.

The 17.3% increase in other income to £88.4m reflects significant growth in departmental accounts activity, although

Student load



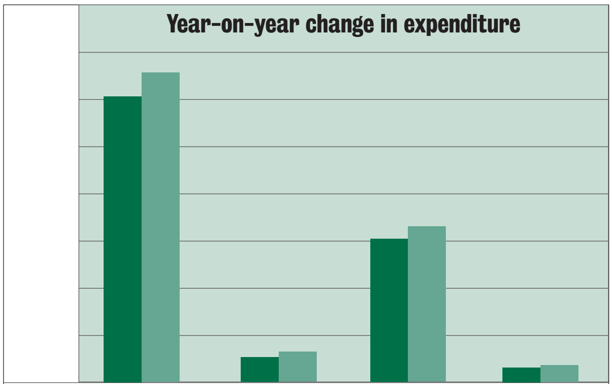
Staff



much of this comes with matching expenditure commitments.

The 24.8% increase in endowment income and interest receivable to £11.1m reflects significantly higher cash balances during the year as a consequence of asset disposals and the drawdown of a new £60m loan facility in May 2008.

Total expenditure increased by 9.5% to £444.4m.



	Staff costs	Depreciation	Other operating costs	Interest payable
2006–7	251,268	19,092	125,626	9,901
2007–8	275,665	21,377	136,511	10,866

The 9.7% increase in staff costs is the most significant growth in costs during the year. This reflects new appointments, more research activity and pay inflation as a consequence of implementing the 2006 pay agreement, which included changes to pay and grading structures. The 8.7% increase in other operating costs reflects greater student support costs and increases in energy costs and maintenance expenditure.

An analysis of the College's income by funding source together with a breakdown of expenditure by the Schools of the College is given on page 8.

An analysis of student load, which increased by 0.8% compared with 2007, and total staff, which increased by 4.5% from 2007 levels, is given on page 9.

Capital investment programme

During the year the College made further progress towards achieving its estates strategic aims, investing some £38.5m (2006–7 £40.9m) in buildings and equipment replacement and renewal.

Overall the capital programme is progressing well, with most projects to time and budget. The second-phase redevelopments of the Strand Campus and the Institute of Psychiatry main building at Denmark Hill were completed during the year. Similarly, the programme of laboratory refurbishments and upgrades at the Guy's and St Thomas' Campus progressed well, with the opening of the new laboratories for the Medical Research Council (MRC) and Asthma UK Centre in Allergic Mechanisms of Asthma, and the official opening of a new Clinical Research Facility at St Thomas' in October 2008 by the Princess Royal, Chancellor of the University of London.

These developments form part of the College's Strategic Plan intention to further improve the infrastructure of the College in line with its world-class aspirations to attract and retain the very best staff and students.

During the year the College formulated a £565m 10-year programme of investment in its estate. Some of the major projects include the following:

- development of the Strand Campus, including part of Somerset House
- development of an integrated cancer centre and chemical medicine centre on the Guy's Campus
- development of the King's Department of Clinical Neuroscience (KCNI) at the Institute of Psychiatry in Denmark Hill
- major investment in student residences and sports grounds.

Approximately £170m of this investment is scheduled to take place over the next three years and just under half of it is expected to be funded by government grants. The remainder is funded by a mix of developer funds, disposals, philanthropy and fundraising. A £60m loan facility has been arranged to give flexibility to manage the cash flows associated with this large programme of investment, but it is not specific to any particular capital project. There is insufficient funding for the level of long-term maintenance the College would like.

Liquidity, borrowings and reserves

Net current assets increased by £73.985m during the year, chiefly as a consequence of the £60m drawdown of the loan facility from the College's principal bankers, Royal Bank of Scotland (RBS), and property disposals. This is summarised below:

	31 July 2008 £000	31 July 2007 £000	Change £000
Cash at bank	163,518	81,243	82,275
Debtors	40,165	38,085	2,080
Current assets	203,683	119,328	84,355
Creditors	(115,075)	(104,705)	(10,370)
Net current assets	88,608	14,623	73,985

Treasury and liquidity management has been the focus of careful attention during the year, partly as a result of significantly increased cash balances and partly as a consequence of turmoil in the financial markets and banking sector.

The College manages day-to-day cash flow through the RBS, maintaining a minimum of £10m with RBS to meet operational cash requirements. There is an automated daily sweep from current account to deposit account (Special Interest Bearing Account or SIBA), which pays LIBOR less 13 basis points. Amounts above this level up to £20m are transferred from the SIBA account to the RBS Global Treasury Fund, an AAA-rated money-market fund. At any point, the College will normally hold between £10m and £30m with RBS to manage immediate liquidity requirements, such as paying suppliers or meeting payroll.

Surplus cash in excess of immediate liquidity needs is managed for the College by Royal London Cash Management. Royal London invest the College's cash in Certificates of Deposit (CDs) with banks over a range of maturities for up to 12 months within a mandate that restricts to counterparties with a minimum of AA- Standard & Poor's credit rating and with a maximum credit limit that has been varied over the year but is currently £10m for overseas counterparties (with one exception); a range of limits operates for the main UK clearing banks.

During the year the College engaged ICAP to review performance of the College's cash management operations. ICAP concluded that Royal London have been very successful over the past six years, outperforming the best money-market funds and outperforming other cash investment strategies. In contrast, the RBS Global Treasury Fund has reported a more disappointing performance compared with the universe of AAA-rated money-market funds, and the continued use of this fund is currently under review.

In the recent banking crisis, liquidity in the money markets has been severely restricted and at times the trade in CDs has virtually dried up. The College has therefore been more directive, instructing Royal London to invest mainly in the short end of the CD market, although the College is invested in two long-dated CDs; the choice of counterparties has been informed by looking at the spread on five-year Credit Default Swaps. The Chairman and Treasurer receive weekly updates of the College's cash deposits.

The cash invested by Royal London is held in individual segregated accounts with HSBC as custodian. The risks associated with using Royal London as cash managers is currently under review.

The principal measure of liquidity is the ratio of liquid assets to annual expenditure excluding depreciation, expressed in number of days. The target is 90 days; the actual cash position at year end represented 141 days of expenditure.

The strong cash position at year end reflects to some extent deferred investment in the College's estates infrastructure. As indicated during the year, the College formulated a £565m long-term capital investment plan. The investment is to be funded by a combination of assets disposals, developer funding, fundraising, government sources and borrowing. In terms of borrowing, the College negotiated and in May 2008 drew down a new £60m long-term loan facility from RBS. The loan is unsecured with interest fixed at 4.855% and bullet repayment in 2048. It is required to underwrite the Capital Plan and provide both flexibility and certainty in terms of the timing of the various projects. It also provides a contingency for risk. The College's financial strategy sets internal borrowing limits of 50% of income and for borrowings not to exceed reserves, implying a maximum gearing ratio of one. The new facility moves the College towards the upper end of its borrowing limits, although net funds have increased during the year.

	31 July 2008 £000	31 July 2007 £000	Change £000
Cash and short-term investments	163,518	81,243	82,275
Borrowings	(175,556)	(118,298)	(57,258)
Net funds	(12,038)	(37,055)	25,017

The College's credit rating provides an external measure of financial health, enabling King's to access the financial markets to fund investment and to obtain favourable rates of interest. More generally it provides a measure of management capability. During the year Standard & Poor's reconfirmed the College's credit rating of AA- and improved the outlook from stable to positive.

The financial strategy requires the College to maintain an appropriate level of liquid reserves to manage risk and uncertainty. Free liquid reserves, defined as the total of cash plus debtors and creditors, increased during the year from £14.6m to £88.6m. Of this, £60m is earmarked to support the College's Capital Plan, leaving £28.6m to manage risk and uncertainty, compared with a target risk reserve of £15m.

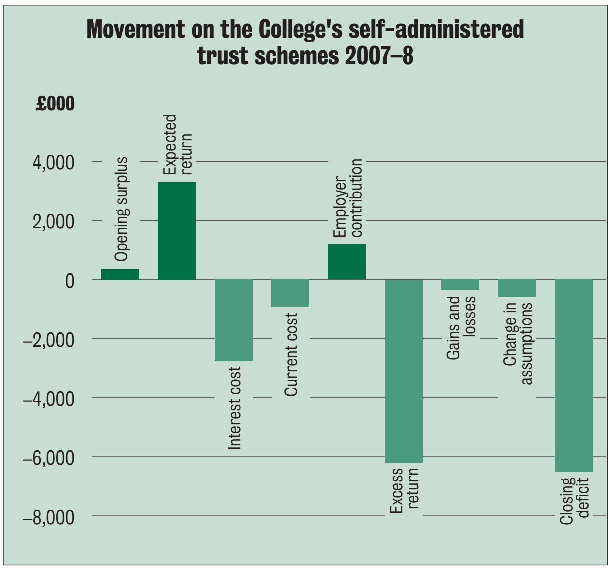
Pensions

The latest actuarial valuation for the Universities Superannuation Scheme (USS) was at 31 March 2008, although at the time of writing the results of the valuation had yet to be published. However, with increases in costs as a consequence of increased life expectancy, pay inflation ahead of assumptions, new legislation and a turbulent investment scene, it is likely that employers' contribution rates will increase in future, and that some form of cost-sharing with employees through higher contributions or reduced benefits will ensue.

The latest actuarial valuation for the Superannuation Arrangements of the University of London (SAUL) was at 31 March 2008, and again the results have yet to be published. While SAUL faces similar pressures to USS, SAUL's overall funding position has generally been stronger than that of USS and it is probable that for the period of the latest valuation there will be no changes to employer or employee contribution rates; benefits are also likely to remain unchanged.

The NHS pension scheme (NHSPS) is an unfunded multi-employer defined-benefit scheme. King's operates it for staff who were existing members immediately prior to appointment at the College. The scheme changed on 1 April 2008 for new members; existing members were given a one-off chance either to change to the new scheme or remain in the existing one. The new NHSPS is a 60ths scheme with tiered contributions and a normal retirement age of 65. The funding objective of the various scheme changes is to ensure that benefits are contained within a maximum employer's contribution rate of 14.2%.

The College also operates two closed defined-benefit schemes: the Federated Pension Scheme (FPS) for support staff from the former United Medical and Dental Schools of Guy's and St Thomas' Hospitals (UMDS), and the Local Government Pension Scheme (LGPS) for staff from the former Chelsea College. As it is possible to identify the College's share of assets and liabilities separately, the pensions scheme surplus or deficit is recognised in full on the balance sheet. The movement in the schemes' funding position is summarised below:



As can be seen from the chart, the biggest negative contribution during the year is the investment performance in the FPS, as detailed in the figures below:

Investment performance	FPS £000	LGPS £000	Total £000
Expected return	2,972	202	3,174
Actual return	(3,545)	268	(3,277)
Actuarial return	(6,517)	66	(6,451)

The main reason for the difference in actual returns is that the FPS is 80% invested in equities whereas the LGPS is 87% invested in liability-matching assets. During the year the College appointed Mercer's to advise on how to de-risk the FPS, and their report and recommendations are expected shortly. They will form the basis for discussions with the FPS trustee and scheme actuary.

Endowment assets

During the year the College made further progress towards adopting a total-return basis of investment. In January 2008 the College received the sealed Order from the Charity Commission approving the total-return basis of investment at a time of the College's choosing.

After the year end the College met with the Charity Commission to clarify certain difficulties being experienced implementing the Order, in particular the calculation of the opening capital position to determine the Unapplied Total Return (UTR). This is important to adopting total return, as if the UTR were to become negative, the College would be prohibited from spending endowment for revenue purposes until a UTR cushion was built back up to positive levels.

In discussion with the Charity Commission it became clear that in determining the opening UTR it was necessary only to protect the capital based on the original gift value received, without the need for indexation to protect the purchasing power of money over time, as had previously been thought to be the case.

On this basis the College should be able to establish a sufficiently large UTR cushion to more confidently adopt a total-return basis of investment. The next step will be to agree the UTR cushion with the auditors and the Charity Commission, and determine an appropriate spending rule. The College will then be legally and administratively ready, although the timing of any move to total return will be dependent on an assessment of market conditions.

In the meantime the College continues to be restricted to spending income only and has adopted an intermediate position which moves towards a total-return investment mix but ensures the need for income is satisfied within a more diversified portfolio.

At the end of the year the market value of the investments decreased to £110.8m (2006–7 £121.9m), reflecting falls in world stock markets and the College's portfolio bias for income rather than growth stocks.

The total return for the year to 31 July 2008 achieved by the investment managers was a loss of 8.1% net of fees, including income yield of 3% in accordance with the College's investment objective.

Risk and sustainability

King's is not the only university institution aiming to increase the intake of high-fee students. Its results are at risk if it does not attract and retain the planned student numbers. A 10% shortfall in numbers of overseas graduate taught students would result in a loss of approximately £1m in fees. A similar shortfall in the numbers of overseas undergraduates would result in a loss of £1.3m of income.

The 'credit crunch' may affect the overall supply of non-regulated income, though the falling value of the pound will help. A number of initiatives are in hand (eg programme review and review of international agents) to mitigate the risk. An encouraging factor is the College's high international reputation (22nd in the THE-QS [Times Higher Education-Quacquarelli Symonds] World University Rankings league table in October 2008), allied with the fact that the previously modest number of high-fee overseas students leaves much room for expansion.

Considerable time and effort were invested in the most recent RAE and it is expected that the College's positioning will improve compared to 2001. The financial impact of this is less clear; a zero-sum game has been assumed, with no additional government money being made available. The College's share of that pot will depend on its ranking within its peer group. No increases (above the level of RPI) to the research grants for 2008–9 and beyond have been included.

King's has had some success in increasing its fEC grants, essential to contribute to overheads. Assumptions include a continuation in the rate of growth. However, at some stage, all grants that can be fully economically costed will have been and there will be limited growth in overhead recovery.

In some areas there is low staff turnover, a major strength in the continuing success of King's. Yet it can limit the College's ability to respond quickly to the changing needs of the market; more flexibility should be introduced to all aspects of the investment base. The College's Department of Human Resources is reviewing various initiatives.

The funding model for the Higher Education Institution (HEI) does not adequately provide for long-term investment, so the College relies on its ability to generate surplus for reinvestment. Investment will be at risk if there is a failure to generate results in line with the plans.

There is uncertainty about when and whether the fees cap will be increased or removed.

Risk is inherent in all ventures; however carefully plans are put together there will inevitably be unforeseen events. Thus it is prudent to build up reserves as a cushion against future identified and unidentified risks. It is also important to have enough flexibility to be able to react to unforeseen opportunities. To this end the College aims to maintain minimum liquid reserves (net current assets) of £15m.

Prospects

Economic outlook

The World Bank predicts that turmoil in the financial markets and slower growth in high-income countries like the UK, together with rising inflation, will affect growth prospects in the medium term. Globally, it predicts real GDP growth of around 3% in 2009 and 2010, with much slower rates of growth for Europe. The Financial Times' independent forecasts indicate an average of 0.8% growth in UK GDP for 2009 – effectively recession – although other predictions indicate that the current account deficit is not expected to grow significantly.

The impact on King's of the volatility in the banking sector in autumn 2008 remains to be seen. As an institution, it is in a strong position because of its cash reserves.

Whatever the specifics, the general consensus seems to be that the UK economy is heading for a downturn, with pressure on government spending.

The UK HEI is a player in the global market and affected by global economics. On the research side, international activity has increased its share of total UK research output from 30% in the 1990s to around 40% in 2005. The UK's most prolific partnerships are with researchers in the USA, Germany and France, while the fastest-growing country of collaboration is China. Further development of financially successful international research linkages will be affected by the availability of research funding, and although significant reductions are not predicted at present, circumstances might change should a downturn evolve into full-blown recession.

The student market is becoming increasingly globalised too. The UK is the second most popular destination for international students for teaching as well as research. This popularity is directly linked to the health of the UK economy. From the teaching angle, information shows that for the College's international students, decisions are based more on the quality of the student experience than price, although it seems realistic to expect that some families will find it more difficult to afford to send their children abroad to study.

The key for King's is to develop: strong international linkages at multiple levels; strategic partnerships; two-way student flow; and research collaboration.

Planning outlook for King's

Despite the economic uncertainties described above, an encouraging four-year outlook is predicted for the College.

Much of the 2007–8 academic year has been taken up preparing for the RAE, and although in some academic Schools this has diverted resources away from the winning of new grants, the volume of grants awarded across the College is encouraging. The research 'order book' is showing strong growth. In the period since the poor year of 2004–5 the number of new awards has grown by some 25% per annum. Latest statistics show annual volume growth of about 15%. This reflects investment in some senior appointments, particularly, but not exclusively, in Health.

One of the difficulties concerning investment in senior research appointments is the time lag between appointment, the generation of grants and overheads and the ultimate impact on student recruitment. Student recruitment can generate quick returns, but long-term sustainability and growth are dependent upon the excellence of the College's research base. There appears to be a lag of 18 to 24 months from new awards to actual research expenditure, and this is borne out by improved research income performance in 2007–8 (up by 8.1% year on year).

The strong growth in fEC grants won, which incorporate a contribution towards overheads and longer-term sustainability and expansion, is very encouraging.

King's has a clear strategy for growth in student numbers. Uncertainties over the possible lifting of the fees cap have led the College to forecast assuming a continuation of the current status. Were the fees cap to be lifted, either partially or wholly, an increase both in student numbers and in the related fee income would be expected. The quantum of this would depend on the changes to the current policy.

Strategy for the next few years is dominated by a 'twin pillars' approach, which is designed to help King's to continue establishing a clear identity based on its relationship with communities actively involved across the disciplines of medicine, science, technology and the arts. It allows the College to make the most of its geographical position at the heart of London's cultural life and also to initiate creative interdisciplinary research. The complementary strategies are:

- Arts and Sciences: to bring about significant change and growth associated with the investment in new property acquisitions on the Strand Campus. At Somerset House, King's envisages initiatives that will bring together art and technology, for example, in digital art.
- The Darzi Report on the future of the NHS in London introduced the concept of AHSCs as a way of keeping London at the cutting edge of medicine by bringing together world-class research, teaching and patient care. The College recently announced the establishment of its own AHSC, which will build on and strengthen the clinical and academic linkages with its National Health partners. Much work is in hand to further define the linkages and opportunities for the swift delivery of academic and patient benefits.

In Professional Services King's is one year into a major strategic investment in technology, and the Connected Campus programme is already delivering benefits in terms of efficiency and effectiveness. A 10-year estates plan has also been formulated recently.

One impact of all these initiatives, as well as business as usual, is to stretch management capacity.

Looking to the future, it is clear that the College faces a period of increasing cost pressures. It needs to attract the best staff in all areas and the cost of doing so is rising. Meanwhile the funding methodology for some of its research is not conducive to long-term development. Additionally, there has recently been a comprehensive review of staff grading and pay scales which has increased overall pay costs. The pension schemes to which King's contributes have increasing liabilities and will continue to require growing contributions. The College's financial plans assume that these increased costs will be met by increases in teaching and research income and a growing emphasis on commercialisation.

The future sustainability of the College depends upon its ability to grow and diversify income streams in line with its Strategic Plan. This will generate the level of surplus needed to enable King's to invest fast enough to compete with the world's best universities.

Financial forecast

There is a huge appetite for growth across the College and plans are in place for significant but manageable investment to continue the momentum towards achieving its strategic objectives without overtrading and without overextending management capacity.

Areas for ongoing investment include studentships, estates, technology and top-quality staff. In many cases, investment has been possible only by identifying offsetting efficiencies, and there are several areas with targeted savings programmes. A medium-term forecast is outlined below:

Surplus/ (deficit)	2008–9 £m	2009–10 £m	2010–11 £m	2011–12 £m	2012–13 £m
Target	(2)	Break even	4	7	15
Best case	2	9	9	15	23
Worst case	(13)	(23)	(18)	(7)	3

The planning outlook is particularly uncertain for 2009–10 because of:

- the fees cap
- the impact of RAE and the move to a metrics base for research income
- rising energy costs
- the timing of the Somerset House expansion
- the impact of payroll modernisation
- changes in pension costs.

The swing factor between the best and worse cases reduces towards the end of the planning horizon, but it is likely that there will need to be a step jump in investment at this point to generate income growth above the rate of inflation. From 2010–11 onwards the surplus is set at 1%, 2% and 3% of income.

Governance and management

There have been a number of changes to make the College decision-making processes quicker and more responsive. Several committees have been either reconstituted or eliminated.

At its meeting in July 2007, the King's College Council agreed to various important changes in the governance of the College and decided that its Governance Committee should develop a governance reform agenda. On 1 July 2008, the Council considered and resolved to adopt the proposed changes to the Charter and Statutes and recommended that they be referred to the community of the College for discussion and debate. The Council resolved to consider the responses to the consultation and to consult its membership on what changes might be necessary in order to formulate a Formal Resolution for submission to the Privy Council.

It has been accepted that in the medium term a more fundamental review of the Council and its committees is required. Key governance issues currently under review are: the purpose of the Council; its size and the composition of its membership; the number and frequency of meetings; a shift in nature of the meeting agendas; and the Council committee structure. In addition, the relationship between the executive management team and the Council will be clarified and consideration given to the informal and formal delegation of Council's powers. The blueprint for more fundamental reform will be agreed early in the 2008–9 academic year.

Changes have also been made to the Academic Board and its committees. At its meeting in May 2007, the Academic Board considered evidence garnered by the Governance Review Group. A number of principles were agreed to underpin the College's academic governance model, and as a result the membership of the Academic Board and the range of its committees were revised. The number of committees reporting to the Academic Board was reduced from 10 to four, including two main committees: the College Education Committee and the College Research Committee. A Deputy Chair's Co-ordinating Group was created to co-ordinate the business of the Board.

A new Chairman's Committee of the Council was also set up to scrutinise the progress of the College as a whole against the Strategic Plan and to monitor key performance indicators.

Social and environmental

King's is dedicated to the advancement of knowledge, learning and understanding in the service of society. It seeks to make a positive impact upon both its human and its physical environment at local, regional and global levels.

King's corporate social responsibility policies and activities can be grouped under two headings.

Understanding the environment

The College Principal and President, Professor Richard Trainor, is 'London Leader' of the London Sustainable Development Commission, whose objective is to provide a sustainable London which supports its residents and considers the needs of future generations. King's has established a Centre for Environmental Assessment, Management & Policy which provides a focal point for environmental research at the College and a portal for public and private sector access to King's research and skills in this area. The College has multidisciplinary research activity on issues including climate change, biodiversity loss and environmental health policy systems and strategies. A King's Institute for Urban Sustainability (KIUS) is about to be launched.

The College's Environmental Policy was published in 2001. King's was one of the first universities to have 100% of its electricity needs sourced from renewable large-scale hydro-generation. The College is committed to responsible carbon and water management and plans to meet the government's objectives of a 20% reduction in carbon emissions by 2010 and a 60% reduction by 2050. In 2007 the College was awarded a Green Gown Award in recognition of its sustainable construction methods. In 2008 King's was one of the first organisations in the UK to achieve the Carbon Trust Standard: the world's first carbon award that requires the achievement of a measured, managed and reduced annual carbon footprint.

The College also recognises its responsibility to its local communities.

Creating value for our society

The Shared Communities initiative at King's facilitates staff and student volunteering in organisations and schools close to its campuses in Southwark, Lambeth and Westminster. Staff members are encouraged to join this volunteering scheme; the activity is underpinned by the philosophy of the workplace as a learning, supportive and positive environment, as enshrined in the Dignity at Work policy. The College's Department of Equality & Diversity aims to embed equality and diversity into every aspect of the College's life, developing policies, strategies and networks to ensure that its staff and student bodies are enriched by their diversity.

The College's widening participation strategies are designed to ensure that its local communities feel at home at King's. The curriculum continues to reflect the College's connection to its communities. Talented, underachieving pupils from targeted inner London boroughs are offered the chance to achieve a degree through the six-year Extended Medical Degree Programme, which provides additional support in the first three years. The College also designs and delivers outreach activities aimed to nurture aspiration and attainment. For example, each year some 100 student ambassadors welcome around 8,000 people to over 400 widening participation events, organised in conjunction with 140 schools, 34 universities and 25 colleges of further education. In 2006–7 the College's intake from state-sector secondary schools and colleges was the highest of any Russell Group university in London. King's, the home of the South East London Lifelong Learning Network, is also increasing its involvement with local academies.

Corporate responsibility is at the core of the King's ethos. The creation of the College Academic Health Sciences Centre in partnership with three of London's most successful NHS foundation trusts has, therefore, already included the development of joint corporate responsibility projects and policies.

Conclusions

The College has had another successful year, making significant progress across a range of important academic, student support and administrative developments in an increasingly challenging and competitive environment.

Financially, these are a pleasing set of results consistent with management expectations. It is also gratifying to report a modest surplus in the context of a deficit budget and to further strengthen the balance sheet.

However, long-term sustainability will require the College to generate increasing levels of surplus if it is to realise the strategic ambition of being one of the world's leading universities.

Rory Tapner	Stephen Large
Treasurer	*Director of Finance*

Corporate governance

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

The College endeavours to conduct its business:

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

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

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

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

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

The Academic Board is the academic authority of the College and draws its membership mainly from the academic staff and the students of the institution. It is the body responsible for the academic work of the College in teaching, examining and research.

Although the Council meets at least twice each academic year, most of its detailed business is handled by committees, in particular the Chairman's Committee, an Audit and Compliance Committee, an Estates Strategy Committee, a Finance Committee, a Remuneration Committee, a Nominations Committee and a Staffing Policy Committee. Each of these committees is formally constituted with written terms of reference and specified membership, including a significant proportion of lay members, from whom its Chairman is drawn; each reports regularly to the Council.

The Finance Committee *inter alia* recommends to Council the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Remuneration Committees determine the annual remuneration of professorial and senior administrative staff.

The Audit and Compliance Committee is responsible for meeting, at least once annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the College's systems of internal control, together with management's response and implementation plans. They receive and consider reports from the Higher Education Funding Council for England and the Training and Development Agency for Schools as they affect the College's business and monitor adherence with the regulatory requirements. They also approve comprehensive Financial Regulations for the conduct of the financial affairs of the College and review the College's annual financial statements together with the accounting policies.

The principal academic and administrative officer of the College is the Principal, who is responsible to the Council for securing the implementation of the decisions of the Council and maintaining and promoting the efficiency and good order of the College. The Principal is also, under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council, the designated Accounting Officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The Statutes of the College specify that the College Secretary should act as Secretary of the Council and the Academic Board, and any enquiries about the constitution and governance of the College should be addressed to the College Secretary.

Statement of internal control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2008 and up to the date of the approval of the financial statements, and accords with HEFCE guidance.

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

- The Council considers the plans and strategic direction of the College on an annual basis.
- The Council has delegated to the Audit and Compliance Committee responsibility for reviewing the effectiveness of internal control systems and the risk management process.
- The Council receives periodic reports from the Chairman of the Audit and Compliance Committee concerning issues of risk, internal controls and their effectiveness, which are informed by regular reports from vice-principals and other managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Audit and Compliance Committee reports to Council its findings in respect of the effectiveness of the risk management process. This is informed by the categorisation of risks and the maintenance of a College-wide risk register.
- The Audit and Compliance Committee receives regular reports from the head of internal audit on the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The Principal's central team is the focal point within the College for the enhancement of the risk management process and receives regular reports from heads of Schools and departments in support of this.
- The business planning process requires heads of Schools and departments to identify and keep up-to-date the record of risks facing the College and to report on internal control activities.
- A programme of risk awareness training is underway.
- A system of key performance and risk indicators has been developed to enable the Council to monitor progress towards the achievement of strategic objectives.
- A research project aimed at enhancing management decision-making in the area of risk management through the development of practices at the operational level is underway and is actively seeking to embed risk management into all of the College's activities.

The College has an internal audit department, which operates to standards defined in the HEFCE Code of Practice on Audit and Accountability and which was last reviewed for effectiveness by the HEFCE Audit Service in December 2003. The internal audit department submits regular reports to the Audit and Compliance Committee that include the head of internal audit's independent opinion on the adequacy and effectiveness of the College's system of internal control, together with recommendations for improvement.

The Council's full review of the effectiveness of the system of internal control for the year ended 31 July 2008 was informed by the Audit and Compliance Committee, the work of the internal audit department and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the College Council

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

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

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

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

The Council has taken reasonable steps to:

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

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic and non-academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Compliance Committee
- a professional independent internal audit team whose annual programme is approved by the Audit and Compliance Committee and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control. Any system of internal financial control can, however, only provide reasonable, not absolute, assurance against material misstatement or loss.

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

We have audited the Group and College financial statements (the 'financial statements') of King's College London for the year ended 31 July 2008 which comprise the consolidated Income and Expenditure Account, the consolidated and College Balance Sheets, the consolidated Cash Flow Statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

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

Respective responsibilities of the College Council and the auditors

The College Council is responsible for preparing the Operating and Financial Review and the consolidated financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 19.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review, other information in the Annual Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the College's affairs as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended.

- The financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.
- In all material respects, income from the Higher Education Funding Council for England, and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2008 have been applied for the purposes for which they were received.
- In all material respects, income during the year ended 31 July 2008 has been applied in accordance with the College's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, and the Financial Memorandum with the Training and Development Agency for Schools.

KPMG LLP
Chartered Accountants
Registered Auditor
1 Forest Gate, Brighton Road, Crawley, West Sussex RH11 9PT

25 November 2008

Statement of principal accounting policies

1. Accounting convention

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

2. Basis of consolidation

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

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

3. Recognition of income

Income from General and Specific Endowments, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

4. Pension schemes

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS), and the Superannuation Arrangements of the University of London (SAUL). The schemes are defined-benefit schemes which 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 scheme. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

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

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

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

5. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. 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 periods of the leases.

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.

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 £10,000 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. 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.

10. Cash flows and liquid resources

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

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

11. Maintenance of premises

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

12. Taxation status

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

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

13. Related party transactions

The College has taken advantage of the exemption that is conferred by Financial Reporting Standard Number 8, Related Party Disclosures, which allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

14. Provisions

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

15. 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 endowments. 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 2008

	Note	2007–8 £000	2006–7 £000
Income			
Funding Council grants	1	144,970	137,747
Tuition fees and education contracts	2	84,594	76,274
Research grants and contracts	3	118,865	109,926
Other operating income	4	88,388	75,363
Endowment income and interest receivable	5	11,054	8,858
Total income		447,871	408,168
Expenditure			
Staff costs	6	275,665	251,268
Depreciation	11	21,377	19,092
Other operating expenses	7	136,511	125,626
Interest payable	8	10,866	9,901
Total expenditure	10	444,419	405,887
Surplus on ordinary activities		3,452	2,281
Taxation	9	7	1
Surplus on ordinary activities after taxation and before exceptional items		3,445	2,280
Surplus on disposal of property		5,717	–
Surplus after depreciation of assets at cost, disposal of property and tax		9,162	2,280

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

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2008

	Note	2007–8 £000	2006–7 Restated £000
Surplus after depreciation of assets at cost, disposal of property and tax		9,162	2,280
Change in value of endowment asset investments	20	(13,307)	6,698
Endowment income movement for the year	20	836	450
New endowments	20	1,352	470
Actuarial (loss)/gain on pension schemes	29	(7,125)	9,871
Total recognised (losses)/gains relating to the year		(9,082)	19,769

Reconciliation

	Note	2007–8 £000	2006–7 Restated £000
Opening reserves and endowments as previously stated		269,708	250,050
Prior year adjustment	31	2,538	2,427
Opening reserves and endowments as restated		272,246	252,477
Total recognised (losses)/gains for the year		(9,082)	19,769
Closing reserves and endowments		263,164	272,246

Consolidated and College Balance Sheets

As at 31 July 2008

	Note	Consolidated 2008 £000	Consolidated 2007 Restated £000	College 2008 £000	College 2007 Restated £000
Fixed assets					
Tangible assets	*11*	597,552	587,437	522,027	455,094
Investments	*12*	48	48	89,728	89,728
		597,600	587,485	611,755	544,822
Endowment asset investments	*13*	110,780	121,899	110,780	121,899
Current assets					
Debtors	*14*	40,165	38,085	44,529	94,195
Cash at bank and in hand		163,518	81,243	159,271	76,459
		203,683	119,328	203,800	170,654
Creditors: amounts falling due within one year	*15*	(115,075)	(104,705)	(128,027)	(112,682)
Net current assets		88,608	14,623	75,773	57,972
Total assets less current liabilities		796,988	724,007	798,308	724,693
Creditors: amounts falling due after more than one year	*16*	(175,556)	(118,298)	(175,556)	(116,648)
Provisions for liabilities and charges	*18*	(69)	(492)	(69)	(492)
Net assets excluding pensions (liability)/asset		621,363	605,217	622,683	607,553
Net pensions (liability)/asset		(6,555)	163	(6,555)	163
Total net assets including pensions (liability)/asset		614,808	605,380	616,128	607,716
Deferred capital grants	*19*	351,644	333,134	351,644	333,134
Endowments					
Restricted permanent	*20*	99,837	110,027	99,837	110,027
Restricted expendable	*20*	10,943	11,872	10,943	11,872
		110,780	121,899	110,780	121,899
Reserves					
Income and expenditure reserve excluding pension reserve	*21*	158,939	150,184	160,259	152,520
Pension reserve		(6,555)	163	(6,555)	163
		152,384	150,347	153,704	152,683
Total funds		614,808	605,380	616,128	607,716

The financial statements on pages 22 to 43 were approved by the Council on 25 November 2008 and signed on its behalf by:

The Marquess of Douro
Chairman of Council

Professor Richard Trainor
Principal

Mr Rory Tapner
Treasurer

Consolidated Cash Flow Statement

For the year ended 31 July 2008

	Note	2007–8 £000	2006–7 Restated £000
Net cash inflow from operating activities	23	14,267	10,525
Returns on investments and servicing of finance	24	6,528	3,905
Capital expenditure and financial investment	25	7,743	11,405
Cash inflow before use of liquid resources and financing		28,538	25,835
Management of liquid resources	26	(1,005)	(6,273)
Financing	27	54,742	(4,771)
Increase in cash	28	82,275	14,791

Reconciliation of net cash flow to movement in net debt

	Note	2007–8 £000	2006–7 Restated £000
Increase in cash in the year		82,275	14,791
Cash inflow from liquid resources		1,005	6,273
(Increase)/decrease in debt		(59,504)	275
Movement in net debt in the year		23,776	21,339
Net debt at 1 August		(28,581)	(49,920)
Net debt at 31 July	28	(4,805)	(28,581)

Notes to the accounts

For the year ended 31 July 2008

1. FUNDING COUNCIL GRANTS

	2007–8 £000	2006–7 £000
Higher Education Funding Council for England grants		
Recurrent grant	128,305	122,873
Specific grants	3,629	3,976
Deferred capital grants released in the year:		
Buildings *(note 19)*	4,720	3,652
Equipment *(note 19)*	4,926	4,240
	141,580	134,741
Joint Information Systems Committee grants	2,032	1,536
Training and Development Agency for Schools		
Recurrent grant	1,256	1,222
Specific grants	102	248
	1,358	1,470
Total Funding Council and Agency grants	144,970	137,747

2. TUITION FEES AND EDUCATION CONTRACTS

	2007–8 £000	2006–7 £000
Full-time students charged home fees	28,828	22,765
Full-time students charged overseas fees	28,701	26,025
Regional health authorities contracted student fees	18,328	20,075
Part-time fees	4,578	3,799
Special and short course fees	4,029	3,450
Research training support grants	130	160
	84,594	76,274

3. RESEARCH GRANTS AND CONTRACTS

	2007–8 £000	2006–7 £000
Research councils	29,911	25,130
UK central government, local authorities, health and hospital authorities	27,434	21,447
UK industry, commerce and public corporations	10,988	12,764
UK charitable bodies	35,590	34,750
EU government and other bodies	6,718	6,629
Other overseas	7,663	8,566
Other	561	640
	118,865	109,926

Notes to the accounts *continued*

For the year ended 31 July 2008

4. OTHER INCOME

	2007–8 £000	2006–7 £000
Academic departments costs reimbursed by NHS	13,702	14,669
Distinction and merit awards reimbursed by NHS	7,971	8,273
Residences, catering and conferences	15,436	14,699
Services rendered to NHS and related bodies	8,533	7,875
Self-financing activities	19,391	14,520
Released from deferred capital grants	2,578	2,414
Other income	20,777	12,913
	88,388	75,363

5. ENDOWMENT AND INVESTMENT INCOME

	2007–8 £000	2006–7 £000
Transferred from restricted permanent endowments *(note 20)*	2,517	3,494
Transferred from restricted expendable endowments *(note 20)*	1,223	–
Pension scheme investment income	451	15
Other interest receivable	6,863	5,349
	11,054	8,858

6. STAFF

	2007–8 £000	2006–7 £000
Staff costs:		
Wages and salaries	230,731	211,690
Social security costs	19,062	16,652
Other pension costs *(note 29)*	25,872	22,926
	275,665	251,268
Emoluments of the Principal:		
Other emoluments	247	210
Benefits-in-kind	5	5
	252	215
Pension scheme contributions	40	35
Total emoluments of the Principal	292	250

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.

	2007–8 Number	2006–7 Number
Average staff numbers, expressed as full-time equivalents:		
Academic/clinical, including research contract staff	2,629	2,500
Administrative and related staff	754	766
Technical	363	347
Clerical	864	878
Other	213	128
	4,823	4,619

Notes to the accounts *continued*

For the year ended 31 July 2008

6. STAFF *(continued)*

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

	2007–8 £000	2006–7 £000
£100,001 – £110,000	44	29
£110,001 – £120,000	19	22
£120,001 – £130,000	19	26
£130,001 – £140,000	19	13
£140,001 – £150,000	18	14
£150,001 – £160,000	16	14
£160,001 – £170,000	15	7
£170,001 – £180,000	7	13
£180,001 – £190,000	12	7
£190,001 – £200,000	3	6
£200,001 – £210,000	5	2
£210,001 – £220,000	6	4
£220,001 – £230,000	1	1
£230,001 – £240,000	1	2
£240,001 – £250,000	1	–
£250,001 – £260,000	1	1
£260,001 – £270,000	–	1
£370,001 – £380,000	1	–

The accounts include no severance payments for higher-paid employees (including the cost of additional pension benefits purchased by the College) for 2008 (2007 – £453,000 in respect of four employees).

7. OTHER OPERATING EXPENSES

	2007–8 £000	2006–7 £000
Research grants and contracts	40,189	40,294
Residences, catering and conferences operating expenses	6,979	6,691
Books and periodicals	3,195	3,207
Heat, light, water and power	7,402	6,591
Repairs and general maintenance	15,360	14,170
University of London charges	1,810	1,834
Services rendered to NHS and related bodies	3,185	3,276
Self-financing activities	8,800	5,280
Equipment items below £10,000 from general funds	2,672	2,084
Grants to King's College Students' Union	1,406	1,243
Communications, advertising and other services	11,501	9,929
Travelling, conference and related costs	3,718	3,635
Rents	3,473	3,618
Laboratory costs	1,853	1,720
Security and cleaning	9,194	7,746
Business rates and other premises costs	2,215	1,422
Auditors' remuneration	104	97
Auditors' remuneration in respect of non-audit services	66	80
Other expenses	13,389	12,709
	136,511	125,626

Notes to the accounts *continued*

For the year ended 31 July 2008

8. INTEREST PAYABLE

	2007–8 £000	2006–7 £000
Loans not wholly repayable within five years	8,729	7,969
Finance leases	2,137	1,932
	10,866	9,901

9. TAXATION

	2007–8 £000	2006–7 £000
UK corporation tax payable on the profits of subsidiary companies	7	1

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

10. ANALYSIS OF 2008 EXPENDITURE BY ACTIVITY

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	124,948	4,282	16,804	–	146,034
Academic departments costs reimbursed by NHS	13,239	–	464	–	13,703
Distinction and merit awards reimbursed by NHS	7,971	–	–	–	7,971
Academic services	19,918	2,573	9,928	–	32,419
Research grants and contracts	60,165	2,615	40,189	–	102,969
Residences, catering and conferences	3,949	45	6,979	4,441	15,414
Premises	7,082	11,759	34,616	–	53,457
Administration	22,392	74	6,077	–	28,543
Staff and student facilities	2,563	20	3,280	–	5,863
General education expenditure	791	–	4,197	–	4,988
University of London federal subscription	–	–	488	–	488
Services rendered to NHS and related bodies	5,219	–	2,721	–	7,940
Self-financing activities	7,181	–	8,800	–	15,981
Pension costs	44	–	–	–	44
Other	203	9	1,968	6,425	8,605
Total per Income and Expenditure Account	275,665	21,377	136,511	10,866	444,419

The depreciation charge has been funded by:	
Deferred capital grants released *(note 19)*	14,839
General income	6,538
	21,377

Notes to the accounts *continued*

For the year ended 31 July 2008

11. TANGIBLE ASSETS

Consolidated	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2007	305,519	289,709	7,645	–	68,667	24,393	24,889	720,822
Additions	462	309	–	–	7,794	–	29,923	38,488
Transfers	25,038	15,735	63	1,841	5,583	–	(48,260)	–
Disposals	(9,329)	–	(40)	–	(2,746)	–	–	(12,115)
At 31 July 2008	321,690	305,753	7,668	1,841	79,298	24,393	6,552	747,195
Depreciation								
At 1 August 2007	39,516	37,248	3,587	–	48,925	4,109	–	133,385
Transfers	–	–	–	–	–	–	–	–
Charge for year	4,752	4,761	195	123	10,097	1,449	–	21,377
Eliminated on disposals	(2,335)	–	(40)	–	(2,744)	–	–	(5,119)
At 31 July 2008	41,933	42,009	3,742	123	56,278	5,558	–	149,643
Net book value								
At 31 July 2008	279,757	263,744	3,926	1,718	23,020	18,835	6,552	597,552
At 1 August 2007	266,003	252,461	4,058	–	19,742	20,284	24,889	587,437

College	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant £000	Furniture and equipment £000	Leased equipment £000	Assets in the course of construction £000	Total £000
Cost								
At 1 August 2007	250,657	199,627	7,657	–	68,051	24,393	24,889	575,274
Additions	15,262	43,755	–	–	7,865	–	30,050	96,932
Transfers	25,121	15,779	63	1,841	5,583	–	(48,387)	–
Disposals	(8,504)	–	(40)	–	(2,273)	–	–	(10,817)
At 31 July 2008	282,536	259,161	7,680	1,841	79,226	24,393	6,552	661,389
Depreciation								
At 1 August 2007	35,114	28,932	3,587	–	48,438	4,109	–	120,180
Transfers	–	3,345	–	–	–	–	–	3,345
Charge for year	4,355	4,288	195	123	10,075	1,449	–	20,485
Eliminated on disposals	(2,335)	–	(40)	–	(2,273)	–	–	(4,648)
At 31 July 2008	37,134	36,565	3,742	123	56,240	5,558	–	139,362
Net book value								
At 31 July 2008	245,402	222,596	3,938	1,718	22,986	18,835	6,552	522,027
At 1 August 2007	215,543	170,695	4,070	–	19,613	20,284	24,889	455,094

The total amount of interest included in assets above amounted to £1,740,000 (2007 – £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 present. The net book value of these are £2,211,000 and £26,545,000 respectively.

Some of the assets have been funded from Treasury sources. Should these assets be sold, the College would either have to surrender part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

Included in the above are assets with a net book value of £351,644,000 (2007 – £333,134,000) funded by capital grants *(note 19)*.

Notes to the accounts *continued*

For the year ended 31 July 2008

12. INVESTMENTS

	Consolidated		College	
	2008	2007	2008	2007
	£000	£000	£000	£000
Investment in subsidiary companies at cost	–	–	89,680	89,680
Other fixed asset investments	48	48	48	48
	48	48	89,728	89,728

The College owns 100% of the issued share capital of King's College London Business Limited, Doublerace Limited, Closeworld Limited and College Facilities Limited, which are all companies registered in England and operating in the United Kingdom.

13. ENDOWMENT ASSET INVESTMENTS

	Consolidated and College	
	2008	2007 Restated
	£000	£000
Balance at 1 August	121,899	114,281
Additions	16,542	39,983
Disposals	(15,359)	(45,336)
Revaluation	(13,307)	6,698
Increase in cash balances	1,005	6,273
Balance at 31 July	110,780	121,899
Fixed interest stocks	28,696	28,640
Equities	70,770	82,950
Bank balances	11,314	10,309
Total endowment asset investments	110,780	121,899
Fixed interest and equities at cost	99,943	98,318

14. DEBTORS

	Consolidated		College	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	12,351	10,141	12,351	10,141
Other debtors	2,178	2,098	2,175	2,096
Research grant debtors	11,697	12,532	11,697	12,532
Research grant work in progress	11,078	8,839	11,078	8,839
Prepayments and accrued income	2,861	4,475	2,861	3,609
Amounts owed by Group undertakings	–	–	4,367	56,978
	40,165	38,085	44,529	94,195

Included within College Group debtors is £nil (2007 – £52,886,000) payable over more than one year.

Notes to the accounts *continued*

For the year ended 31 July 2008

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		College	
	2008	2007 Restated	2008	2007 Restated
	£000	£000	£000	£000
Trade creditors	16,514	14,830	15,299	13,202
Payments received on account	55,620	47,488	55,153	47,145
Other creditors and accruals	27,519	28,693	26,899	25,702
Social security and other taxation payable	10,327	8,814	7,529	7,327
Amounts owed to Group undertakings	–	–	18,052	14,426
Obligations under finance leases *(note 17)*	2,224	2,150	2,224	2,150
Current element of long-term liabilities *(note 17)*	2,871	2,730	2,871	2,730
	115,075	104,705	128,027	112,682

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

	Consolidated		College	
	2008	2007	2008	2007
	£000	£000	£000	£000
Obligations under finance leases *(note 17)*	35,170	35,346	35,170	35,346
Term deposits for loan repayments	(23,142)	(22,949)	(23,142)	(22,949)
	12,028	12,397	12,028	12,397
Loans *(note 17)*	162,514	102,856	162,514	102,856
Total long-term borrowings	174,542	115,253	174,542	115,253
Capital goods scheme VAT	1,014	3,045	1,014	1,395
Total	175,556	118,298	175,556	116,648

Loans are secured on a portion of the freehold land and buildings of the College.

17. BORROWINGS

	Consolidated and College			
	Finance leases		Loans	
	2008	2007	2008	2007
	£000	£000	£000	£000
Obligations under finance leases fall due and loans are repayable as follows:				
Between one and two years	2,224	2,150	3,016	2,871
Between two and five years	6,671	6,451	10,007	9,517
Total between one and five years	8,895	8,601	13,023	12,388
Over five years	26,275	26,745	149,491	90,468
Total over one year *(note 16)*	35,170	35,346	162,514	102,856
Within one year *(note 15)*	2,224	2,150	2,871	2,730
	37,394	37,496	165,385	105,586

Loans with interest rates between 6.75% and 9.60% amounting to £42,514,000 are repayable by instalments falling due between 1 August 2009 and 17 September 2027; the remaining loans with interest rates of 6.22% and 4.86% are repayable by single instalments on 27 April 2031 and 16 May 2048 respectively.

Notes to the accounts *continued*

For the year ended 31 July 2008

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and College Restructuring £000
At 1 August 2007	492
Utilised in year	(423)
At 31 July 2008	69

The restructuring provision relates to costs arising in order to achieve the College's Strategic Plan.

As explained in the Statement of Principal Accounting Policies, note 12, no provision has been made for deferred tax on the grounds that the subsidiary companies transfer their taxable profits by gift aid to the College and therefore no deferred tax assets or liability will be realised.

19. DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2007			
Buildings	185,241	110,903	296,144
Equipment	31,434	5,556	36,990
Total	216,675	116,459	333,134
Cash received			
Buildings	20,319	7,611	27,930
Equipment	1,822	3,597	5,419
Total	22,141	11,208	33,349
Released to income and expenditure			
Buildings *(note 1)*	(4,720)	(2,356)	(7,076)
Equipment *(note 1)*	(4,926)	(2,837)	(7,763)
Total *(note 10)*	(9,646)	(5,193)	(14,839)
At 31 July 2008			
Buildings	200,840	116,158	316,998
Equipment	28,330	6,316	34,646
Total	229,170	122,474	351,644

Notes to the accounts *continued*

For the year ended 31 July 2008

20. ENDOWMENTS

	Consolidated and College		
	Restricted permanent £000	Restricted expendable £000	Total £000
At 1 August 2007	110,027	11,872	121,899
Additions	209	1,143	1,352
Change in value of endowment asset investments	(11,869)	(1,438)	(13,307)
Income for year	3,987	589	4,576
Transferred to Income and Expenditure Account *(note 5)*	(2,517)	(1,223)	(3,740)
At 31 July 2008	99,837	10,943	110,780
Endowment capital	95,884	11,363	107,247
Accumulated income	3,953	(420)	3,533
	99,837	10,943	110,780
Representing:			
Fellowships and scholarships	13,302	1,027	14,329
Prize funds	3,778	1,191	4,969
Chairs and lectureships	74,931	7,960	82,891
Other funds	7,826	765	8,591
	99,837	10,943	110,780

There are two material trusts included in endowments: the Dimbleby Endowment Fund, used for cancer research, endowment capital £6,003k (2007 – £6,750k), accumulated income £108k (2007 – £39k); and the Newland-Pedley Fund, used for dental scholarship, endowment capital £5,605k (2007 – £6,302k), accumulated income £276k (2007 – £170k).

21. RESERVES

	Consolidated £000	College £000
Balance at 1 August 2007	150,347	152,683
Surplus after depreciation of assets at cost and tax	9,162	8,146
Actuarial loss on pension scheme liability	(7,125)	(7,125)
Balance at 31 July 2008	152,384	153,704
The reserves are allocated to:		
The income and expenditure reserve, which is nominally allocated to:		
Departmental reserves	36,927	36,927
Revenue reserve	122,012	123,332
Income and expenditure reserve	158,939	160,259
Pension reserve	(6,555)	(6,555)
	152,384	153,704

22. CAPITAL COMMITMENTS

	Consolidated		College	
	2008 £000	2007 £000	2008 £000	2007 £000
Commitments contracted at 31 July	19,635	30,266	19,635	30,266
Authorised but not contracted at 31 July	3,471	5,254	3,471	5,254
	23,106	35,520	23,106	35,520

Notes to the accounts *continued*

For the year ended 31 July 2008

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

	2007–8 £000	2006–7 £000
Surplus before tax	9,169	2,281
Depreciation *(note 11)*	21,377	19,092
Deferred capital grants released to income *(note 19)*	(14,839)	(12,635)
Investment income *(note 5)*	(11,054)	(8,858)
Interest payable *(note 8)*	10,866	9,901
Pension scheme income and costs	(407)	171
Surplus on disposal of tangible fixed assets	(5,717)	–
Increase in debtors	(2,080)	(5,094)
Increase in creditors	9,406	6,397
(Decrease)/increase in capital goods scheme VAT *(note 16)*	(2,031)	570
Decrease in provisions	(423)	(1,300)
Net cash inflow from operating activities	14,267	10,525

24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007–8 £000	2006–7 £000
Income from endowments *(note 20)*	4,576	3,944
Pension scheme investment income *(note 5)*	451	15
Interest received *(note 5)*	6,863	5,349
Interest paid	(5,362)	(5,403)
Net cash inflow from returns on investments and servicing of finance	6,528	3,905

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2007–8 £000	2006–7 £000
Tangible assets acquired *(note 11)*	(38,488)	(40,947)
Endowment asset investments acquired *(note 13)*	(16,542)	(39,983)
Total tangible and investment assets acquired	(55,030)	(80,930)
Receipts from sale of tangible assets	12,713	–
Receipts from sale of endowment assets	15,359	45,336
Deferred capital grants received *(note 19)*	33,349	46,529
Endowments received *(note 20)*	1,352	470
Net cash inflow from capital expenditure and financial investment	7,743	11,405

26. MANAGEMENT OF LIQUID RESOURCES

	2007–8 £000	2006–7 Restated £000
Movement in endowment assets	(1,005)	(6,273)
Net cash movement from management of liquid resources	(1,005)	(6,273)

27. ANALYSIS OF CHARGES IN CONSOLIDATED FINANCING DURING THE YEAR

	2007–8 £000	2006–7 £000
Borrowings repaid	(2,730)	(2,604)
New long-term loans	59,904	–
Repayment of capital element of finance leases	(2,432)	(2,167)
Net cash inflow/(outflow) from financing	54,742	(4,771)

Notes to the accounts *continued*

For the year ended 31 July 2008

28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 07 Restated £000	Cash flows £000	Other changes £000	At 31 July 08 £000
Cash at bank and in hand	81,243	82,275	–	163,518
Endowment asset investments *(note 13)*	10,309	1,005	–	11,314
	91,552	83,280	–	174,832
Debt due within one year	(4,880)	4,969	(5,184)	(5,095)
Debt due after one year	(115,253)	(59,711)	422	(174,542)
Net debt	(28,581)	28,538	(4,762)	(4,805)

29. PENSIONS

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

Universities Superannuation Scheme (USS)

The latest published actuarial valuation of the scheme was as at 31 March 2005 using the projected unit method. The assumptions that have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Valuation rate of interest	4.5%	6.2%
Salary scale increases per annum	3.9%	3.9%
Pensions increases per annum	2.9%	2.9%
Market value of assets at date of last valuation	£21,740 million	
Value of past service liabilities at date of last valuation	£28,308 million	
Deficit of assets at date of last valuation	£6,568 million	
Proportion of members' accrued benefits covered by the actuarial value of the assets	77%	

The College's contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the College's contribution rate at 14% of pensionable salaries.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

Superannuation Arrangements of the University of London (SAUL)

The latest published actuarial valuation of the scheme was as at 31 March 2005 using the projected unit method. The assumptions that have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Investment returns on liabilities per annum before retirement	5.50%	6.50%
Investment returns on liabilities per annum after retirement	4.50%	4.50%
Salary scale increases per annum	4.15%	4.15%
Pensions increases per annum	2.65%	2.65%
Market value of assets at date of last valuation	£982 million	
Proportion of members' accrued benefits covered by the actuarial value of the assets	93%	

Notes to the accounts *continued*

For the year ended 31 July 2008

29. PENSIONS *(continued)*

Employers contribute 13.0% of salaries from 1 August 2006 (previously 10.5% of salaries), an increase of 2.5% of salaries. Members' contributions also increased, by 1.0% of salaries to 6.0%, with effect from the same date.

Employers who have recently joined SAUL and certain employee groups (as agreed by the trustee of SAUL) pay 19.2% of salaries from 1 August 2006 until the second actuarial valuation after entry (or some other period, as agreed with the trustee).

The next formal actuarial valuation is due as at 31 March 2008, when the above rates will be reviewed.

Federated Pension Scheme (FPS) and Local Government Pension Scheme (LGPS)

The pension scheme offered to non-academic staff at the former United Medical and Dental Schools of Guy's and St Thomas' Hospitals (UMDS) was the Federated Pension Scheme (FPS). The pension scheme offered to staff at the former Chelsea College was the Local Government Pension Scheme (LGPS). No new members are admitted to these schemes.

FPS and LGPS are defined-benefit schemes; the last triennial valuations were undertaken on 31 March 2006 and 31 March 2004 respectively.

For the purposes of reporting under FRS 17, projected unit method valuations were carried out as at 31 July 2008. The assumptions used and the valuation results are set out below.

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
Price increases per annum	3.75%	3.25%	3.80%	3.30%
Salary increases per annum	5.25%	4.75%	5.30%	4.80%
Pension increases per annum	3.75%	3.10%	3.80%	3.30%
Discount rate per annum	6.30%	5.80%	6.70%	5.80%
Expected return on assets	6.79%	6.88%	4.90%	5.20%
Post-retirement mortality assumption	PxA92(b-yob)mc	PxA92=(2040)	PMA/PFA92	PMA/PFA92

Expected return on assets

Fair value of assets and net expected return on assets by category:

	Federated Pension Scheme				Local Government Pension Scheme			
	31 July 2008		31 July 2007		31 July 2008		31 July 2007	
	Rate of return	£000	Rate of return	£000	Rate of return	£000	Rate of return	£000
Equities and property	7.25%	31,029	7.25%	35,489	7.80%	336	8.00%	614
Insured annuity contracts	6.30%	1,287	5.80%	1,361	–	–	–	–
Bonds	4.90%	5,977	5.40%	3,552	–	–	–	–
Cashflow matching	–	–	–	–	4.60%	3,463	4.70%	3,383
Cash and other	4.70%	1,134	4.75%	3,017	4.80%	183	5.10%	78
Total fair value of assets		39,427		43,419		3,982		4,075
Value of liabilities (defined-benefit obligation)		(44,307)		(41,751)		(4,967)		(4,961)
Value of unfunded obligations		–		–		(690)		(619)
Recognised pension (liability)/asset		(4,880)		1,668		(1,675)		(1,505)

Notes to the accounts *continued*

For the year ended 31 July 2008

29. PENSIONS *(continued)*

Total expense recognised in the Income and Expenditure Account

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	£000	£000	£000	£000
Current service cost	778	846	8	8
Interest cost on obligation	2,412	2,493	311	291
Expected return on scheme assets	(2,972)	(2,599)	(202)	(200)
Past service cost	233	–	5	–
Total Income and Expenditure charge	451	740	122	99
Expected employer contribution to the scheme in the year to 31 July 2009	1,070		9	

Changes in the present value of the defined-benefit obligation

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	£000	£000	£000	£000
Opening defined-benefit obligation	41,751	48,106	5,580	5,898
Current service cost	778	846	8	8
Interest cost on obligation	2,412	2,493	311	291
Actuarial loss/(gain) on obligation	472	(8,515)	200	(204)
Past service cost	233	–	5	–
Member contributions	193	198	2	2
Unfunded benefits paid	–	–	(52)	(52)
Benefits paid	(1,532)	(1,377)	(397)	(363)
Closing defined-benefit obligation	44,307	41,751	5,657	5,580

Changes in the fair value of scheme assets

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	£000	£000	£000	£000
Opening fair value of scheme assets	43,419	40,183	4,075	4,284
Expected return	2,972	2,599	202	200
Actuarial (loss)/gain	(6,517)	1,213	64	(61)
Employer contributions	892	603	36	13
Member contributions	193	198	2	2
Contributions in respect of unfunded benefits	–	–	52	52
Unfunded benefits paid	–	–	(52)	(52)
Benefits paid	(1,532)	(1,377)	(397)	(363)
Closing fair value of scheme assets	39,427	43,419	3,982	4,075

Notes to the accounts *continued*

For the year ended 31 July 2008

29. PENSIONS *(continued)*

Total amounts recognised in the Statement of Total Recognised Gains and Losses

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	£000	£000	£000	£000
Pension scheme asset/(liability) at 1 August	1,668	(7,923)	(1,505)	(1,614)
Current service cost	(778)	(846)	(8)	(8)
Employer contributions	892	603	36	13
Past service cost	(233)	–	(5)	–
Contributions in respect of unfunded benefits	–	–	52	52
Net return on assets	560	106	(109)	(91)
Actuarial (loss)/gain on obligation	(472)	8,515	(200)	204
Actuarial (loss)/gain on assets	(6,517)	1,213	64	(61)
Pension scheme (liability)/asset at 31 July	(4,880)	1,668	(1,675)	(1,505)

Actual return on scheme assets

	Federated Pension Scheme		Local Government Pension Scheme	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
	£000	£000	£000	£000
Actual return on scheme assets	(3,545)	3,812	266	139
Expected return on scheme assets	2,972	2,599	202	200
Actual less expected return on scheme assets	(6,517)	1,213	64	(61)

History of experience gains and losses Federated Pension Scheme

	31 July 2008	31 July 2007	31 July 2006	31 July 2005	31 July 2004
	£000	£000	£000	£000	£000
Fair value of scheme assets	39,427	43,419	40,183	36,029	30,080
Value of liabilities (funded obligations)	(44,307)	(41,751)	(48,106)	(39,221)	(33,630)
(Deficit)/surplus	(4,880)	1,668	(7,923)	(3,192)	(3,550)
Experience (loss)/gain on liabilities	(246)	2,135	–	(376)	(2,987)
Experience (loss)/gain on assets	(6,517)	1,213	2,444	3,885	17

History of experience gains and losses Local Government Pension Scheme

	31 July 2008	31 July 2007	31 July 2006	31 July 2005	31 July 2004
	£000	£000	£000	£000	£000
Fair value of scheme assets	3,982	4,075	4,284	4,459	4,779
Value of liabilities (funded obligations)	(5,657)	(5,580)	(5,898)	(5,903)	(5,558)
Deficit	(1,675)	(1,505)	(1,614)	(1,444)	(779)
Experience gain/(loss) on liabilities	17	20	(7)	(690)	(9)
Experience gain/(loss) on assets	64	(61)	(42)	365	(12)

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

Notes to the accounts *continued*

For the year ended 31 July 2008

29. PENSIONS *(continued)*

National Health Service Pension Scheme (NHSPS)

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

The total pension cost for the College and its subsidiaries was:

	Consolidated		College	
	2007–8 £000	2006–7 £000	2007–8 £000	2006–7 £000
Contributions to USS	17,784	15,613	17,488	15,454
Contributions to SAUL	3,513	3,152	3,513	3,152
Contributions to NHSPS	3,469	3,381	3,469	3,381
Contributions to other pension schemes	1,106	780	1,106	780
Total pension cost *(note 6)*	25,872	22,926	25,576	22,767

30. ACCESS FUNDS AND TRAINING SALARIES

	Consolidated and College			
	Access funds		Training salaries	
	2007–8 £000	2006–7 £000	2007–8 £000	2006–7 £000
Balance underspent/(overspent) at 1 August	97	(14)	177	69
Funding Council and Training and Development Agency for Schools grants	449	615	1,776	2,051
Interest earned	13	3	–	–
	462	618	1,776	2,051
Disbursed to students	(493)	(489)	(1,492)	(1,943)
Administrative expenses	(13)	(18)	–	–
	(506)	(507)	(1,492)	(1,943)
Balance underspent at 31 July	53	97	461	177

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

Notes to the accounts *continued*

For the year ended 31 July 2008

31. PRIOR YEAR ADJUSTMENT

Following the introduction of the Statement of Recommended Practice, it has been decided that unexpended endowment income, which had previously been treated as third-party balances and included in creditors, should now be included within endowment funds in the reported results of the College. There were corresponding adjustments to cash at bank and in hand and endowment asset investments.

	£000
Closing balance of endowments as at 31 July 2007	119,361
Unexpended endowment income shown under creditors as at 31 July 2007	2,538
Restated balance of endowments as at 31 July 2007	121,899