

**KING'S COLLEGE**

**Accounts**

**30 June 2012**

# **KING'S COLLEGE**

## **ACCOUNTS 2012**

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# KING'S COLLEGE

## GOVERNING BODY MEMBERS

### Provost

Prof Ross Harrison

### Fellows

Dr Tess Adkins  
Dr Sebastian Ahnert  
Dr Anna Alexandrova (from 01.10.11)  
Dr Stephen Alford  
Dr Lori Allen  
Dr Nick Atkins (from 1.10.11)  
Dr John Barber  
Professor Michael Bate  
Professor Sir Patrick Bateson  
Dr Andreas Bender  
Dr Nathanaël Berestycki  
Dr Camille Bonvin  
Dr Rowan Boyson  
Professor Sydney Brenner  
Ms Julie Bressor (Director of Development)  
Dr Christopher Brooke  
Dr Dan Brown (deceased 24.04.12)  
Dr Jude Browne  
Dr Nick Bullock  
Dr Bill Burgwinkle  
Dr Guilherme Carmona  
Dr Keith Carne  
Mr Stephen Cleobury (Director of Music)  
Dr Francesco Colucci  
Professor Anne Cooke  
Dr Sarah Crisp  
Professor Anne Davis  
Dr Subhajyoti De  
Professor Peter de Bolla  
Professor John Dunn  
Professor George Efstathiou  
Dr Aytek Erdil (from 1.10.11)  
Dr Alexander Etkind  
Dr Elisa Faraglia (from 1.10.11)  
Professor James Fawcett  
Professor Iain Fenlon  
Dr Lorna Finlayson (from 1.10.11)  
Dr Timothy Flack  
Professor Robert Foley  
Lord Giddens  
Professor Christopher Gilligan  
Professor Simon Goldhill  
Dr David Good  
Dr Julian Griffin  
Professor Gillian Griffiths  
Dr Ben Gripaios (from 1.10.11)  
Dr Cesare Hall  
Dr Rotraud Hansberger (to 30.09.11)  
Dr Victoria Harris

Dr Tawfique Hasan  
Professor John Henderson  
Dr Felipe Hernandez (from 1.10.11)  
Mr Arthur Hibbert  
Mr Adam Higazi  
Dr David Hillman  
Dr Istvan Hont  
Professor Sir Gabriel Horn  
Dr Stephen Hugh-Jones  
Professor Caroline Humphrey  
Professor Herbert Huppert  
Professor Martin Hyland  
Mr Peter Jones (Librarian)  
Professor Richard Józsa  
Dr András Juhász  
Dr Aileen Kelly  
Professor Barry Keverne  
Dr Walid Khaled  
Dr James Laidlaw  
Professor Richard Lambert  
Dr Jessica Leech (from 1.10.11)  
Dr Yanki Lekili  
Dr Eugene Lim (from 1.10.11)  
Professor Charlie Loke  
Dr Sarah Lummis  
Professor Alan Macfarlane  
Dr Nicholas Marston  
Professor Jean Michel Massing  
Dame Judith Mayhew Jonas  
Dr Mairéad McAuley  
Professor Dan McKenzie  
Mr Richard Merrill (from 1.10.11)  
Dr Benjamin Mestel (to 30.09.11)  
Dr Cam Middleton  
Dr Perveez Mody  
Professor Ashley Moffett  
Dr Geoff Moggridge  
Dr Ken Moody  
The Revd Dr Jeremy Morris (Dean)  
Dr David Munday  
Dr Elizabeth Murchison  
Dr Basim Musallam  
Dr Rory O'Bryen  
Dr Rosanna Omitowaju  
Professor Robin Osborne (Senior Tutor)  
Dr David Payne  
Ms Anastasia Piliavsky  
Dr Jose Mauricio Prado (to 30.09.11)

Professor Chris Prendergast  
Dr Jonathan Pridham (from 1.10.11)  
Dr Jennifer Regan-Lefebvre  
Dr Oliver Rinne (to 30.09.11)  
Mr Jacob Rowbottom (to 31.12.11)  
Professor Robert Rowthorn  
Professor Paul Ryan  
Professor Hamid Sabourian  
Dr Suchitra Sebastian  
Dr Brian Sloan  
Dr Michael Sonenscher  
Dr Sharath Srinivasan  
Professor Gareth Stedman Jones  
Dr John Stewart  
Professor Yasir Suleiman  
Professor Azim Surani  
Dr Erika Swales  
Dr Alice Taylor (to 30.09.11)  
Dr Simone Teufel  
Mr James Trevithick  
Dr Stefan Uhlig  
Dr Christoph Vanberg (to 31.08.11)  
Professor Megan Vaughan  
Dr Bert Vaux  
Dr Rob Wallach  
Dr Darin Weinberg  
Dr Godela Weiss-Sussex  
Dr Tom White  
Professor John Young  
Dr Nicolette Zeeman  
  
Members in statu pupillari  
Juan de Francisco  
Tom Hutchcroft (from 01.01.12)  
Jonny Kram (to 30.12.11)  
Charlotte Kuhlbrandt (to 30.09.11)  
Decca Muldowney (to 30.09.11)  
Adam Reid (from 01.01.12)  
Raphael Scheps (from 01.10.11)

# **KING'S COLLEGE**

## **COUNCIL, OFFICERS AND ADVISORS**

### **Address**

King's College  
King's Parade  
Cambridge CB2 1ST

### **Registered Charity Number**

1139422

### **Charity Trustees (Member of Council)**

Provost, Professor Ross Harrison  
Dr Tess Adkins  
Dr Lori Allen  
Dr Jude Browne  
Professor John Dunn  
The Rev'd Dr Jeremy Morris

Dr Rosanna Omitowoju  
Dr Brian Sloan  
Dr Rob Wallach  
Dr Nicky Zeeman  
Juan Zober de Francisco  
Raphael Scheps

### **Senior Officers**

Provost: Professor Ross Harrison  
Vice Provost: Dr Basim Musallam  
Dean: The Rev'd Dr Jeremy Morris  
First Bursar: Dr Keith Carne  
Senior Tutor: Professor Robin Osborne

## **PRINCIPAL PROFESSIONAL ADVISORS**

### **Actuaries**

Barnes & Sherwood  
Barnes & Sherwood House  
95 Maybury Road  
Woking GU21 5JL

### **Auditors**

Peters Elworthy & Moore  
Salisbury House  
Station Road  
Cambridge CB1 2LA

### **Solicitors**

Kester Cunningham John  
Chequers House  
77-81 Newmarket Road  
Cambridge CB5 8EU

Mills & Reeve  
Francis House  
112 Hills Road  
Cambridge CB2 1RH

Taylor Vinters  
Merlin Place  
Milton Road  
Cambridge CB4 0DP

### **Property Managers and Valuers**

Bidwells  
Trumpington Road  
Cambridge CB2 2LD

Savills  
Unex House  
132-134 Hills Road  
Cambridge CB2 8PA

### **Investment Advisors/Managers**

Schroders  
31 Gresham Street  
London EC2V 7QA

### **Bankers**

Barclays Bank Plc  
9-11 St Andrew's Street  
Cambridge CB2 3AA

Royal London Cash Management Limited  
55 Gracechurch Street  
London  
EC3V 0UF

# KING'S COLLEGE

## REPORT OF THE COUNCIL

### Structure, Governance and Management

King's College (formally "The Provost and Scholars of the King's College of Our Lady and St Nicholas in Cambridge") was founded in 1441 as one of the constituent colleges of Cambridge University. It endorses the University's aims and endeavours to work with the University and other colleges to further those aims. The College is a charitable corporate body established by Royal Charter with perpetual status and recognised under Common Law. It is also registered as a charity. Initially it was an institution consisting of the Provost and 70 scholars. At 30 June 2012 the College consisted of the Provost, 120 Fellows, some 630 resident undergraduate and graduate students, 415 pupils in the School, and 323 staff.

The College is governed in accordance with statutes, approved by Order of Her Majesty in Council. The statutes of the University of Cambridge and specific legislation covering the University of Cambridge apply to the College. The Visitor of the College is the Bishop of Lincoln.

The College is governed by the Provost and the Fellows of the College who, together with four resident members of the College *in statu pupillari*, constitute the College's Governing Body. The Provost is responsible for 'general superintendence over the affairs of the College' and presides over congregations of the Governing Body. Administration of the College is conducted by Congregations of the Governing Body, by the College Council, and by other committees provided for by statute and ordinance or established from time to time by the Governing Body or the Council. Execution of the decisions of these bodies is entrusted to the Administrative Officers. The officers prescribed by statute are: the Vice-Provost ('to attend to the good government of the College'); the Dean ('to provide for the Chapel services'); the First Bursar ('to manage the finances and investments of the College'); and the Senior Tutor ('to oversee the provision of education in the College').

The College Council consists of the Provost and twelve other members, ten elected from and by the Fellows on the Governing Body, and two elected annually from and by the resident members of the College *in statu pupillari*. The Vice-Provost, Senior Tutor, First Bursar and the Presidents for the undergraduate and graduate College student unions are also in attendance. The Council is entrusted with the general administration and management of the College, except in as far as powers are reserved by statute, ordinance or regulation to the Governing Body, and it exercises a general superintendence over the College's educational work. The members of the College Council are the Charity Trustees for the College.

### Aims and Objectives

The College exists within the University of Cambridge and is dedicated to the advancement of education, religion, learning and research. It also aims to provide for and conduct Divine Service. These principal aims are enshrined in Statute and constitute the public benefit that it provides as a charity.

*Education:* The College provides, within the University of Cambridge, an education for some 650 undergraduate and graduate students that is recognised internationally as being of the highest standard. This education develops students academically and more broadly prepares them to play full and effective roles in society. The College aims to attract as undergraduate and graduate students such persons as are best fitted to take academic advantage from the education it offers, regardless of gender, sexual orientation or educational, social, ethnic, or personal background. All decisions as to membership of the College are made by the College.

The education of junior members reading for undergraduate degrees is overseen by the Senior Tutor. The academic studies of each undergraduate member of the College are overseen by a Director of Studies and Tutor. Directors of Studies are responsible for organising supervisions and other classes for each undergraduate reading for the specific Tripos examinations for which they are severally responsible. College teaching is designed to complement the lectures and other classes provided by the University. To supervise undergraduate students the College employs persons fitted by their learning to do so; these are normally Fellows of the College, Fellows of other Cambridge colleges, and those holding post-doctoral positions or reading for a graduate degree within the University. The Fellows of the College responsible for teaching junior members either hold University teaching and/or research posts or have been appointed to Fellowships on the basis of their distinction as teachers and/or researchers. The College appoints Tutors to oversee the educational progress and the general well-being of all undergraduate students studying the subjects for which they are severally responsible, and to represent their pupils, where necessary, in formal dealings with the University. In their care for the general welfare of the junior members of the College, the Tutors enjoy the assistance of the Lay Dean and the Chaplain. In 2011/12, 349 undergraduate students sat classified University examinations; 82.6% obtaining first or upper-second (or undivided second) class passes.

# KING'S COLLEGE

## REPORT OF THE COUNCIL

### Aims and Objectives (Continued)

The education of junior members reading for graduate degrees is chiefly the responsibility of Faculties and Departments, who appoint academic supervisors. The College receives reports from the academic supervisors and provides such academic and other support as the Senior Tutor and the Tutors for Graduate Studies consider appropriate. In 2011/12, 31 graduate students successfully completed an MPhil or other one-year graduate course, 2 completed clinical studies and 42 satisfied the requirement for the degree of PhD.

The Senior Tutor reports regularly to the College Council and to the Governing Body on the academic performance of junior members of the College.

Most junior members of the College live in College accommodation while in residence. It is College policy that charges for accommodation should be comparable to those in other competitor universities. In order to facilitate access to undergraduate and graduate education regardless of financial circumstances, the College offers financial support on the basis of need. In addition, research studentships, undergraduate scholarships, and prizes are awarded on the basis of academic excellence. During 2011/12, 600 financial awards were made to undergraduates and graduate students including studentships, scholarships, travel grants and prizes. This year, we welcomed 322 summer school students from Pembroke and King's International programmes.

*Religion:* The College carries forward the tradition, continuous since its foundation, of being a place of spiritual and ethical reflection on the Christian faith and its implications for the individual and society. In particular, the College:

- Maintains and supports the Chapel as a place of religious worship and holds a variety of religious services during term, which are open to the general public and visitors.
- Maintains its choral tradition, which is integral to the provision of Divine Service in its Chapel, through the College's Choir. This choir includes both Choral Scholars, who are students, and Choristers who are pupils of King's College School.
- Supports, through the College Dean and Chaplain, the emotional, mental and spiritual well-being of all members of the College community whatever their faith tradition, or none.
- Maintains its historic connection with the work of the Church of England, particularly through its involvement as Patron of over 20 parishes.

The Founder's Statutes of 1443 require the College to provide for and conduct Divine Service in the College Chapel and to maintain a choir. The Choristers are members of the College and the College is responsible for their education and training. This tradition, established by Henry VI at the foundation of the College, has been continued ever since.

*Learning:* The College Library is a first port of call for junior members of the College as a repository of books and information, and its archives, rare books and manuscripts provide a major resource for scholarship, both for members of the College and for scholars from outside the College. The number of loans for the year totalled 19,671, plus use inside the Library of 7,250 items from the total stock accessible via the online catalogue of 106,273 books. Catalogue records from the Library are uploaded to the Newton Catalogue of the University Library and it is possible to access the catalogue directly from the College website.

During the year, 236 readers (174 of them new) made 540 visits to the Archives reading room, 2,722 documents were retrieved for visitors and 1,876 enquiries answered. 811 people came simply to see exhibitions given by the Library Department. The Librarian is the College's designated Freedom of Information Officer and the archivists assisted him in complying with the College's obligations under the Act, compiling answers for 35 enquiries within the framework of the Act. The archivists also oversee the College's records management programme, which ensures that the College meets its statutory obligations and determines what information should be kept for the sake of future researchers, as well as for administrative requirements.

*Research:* The College provides an intellectual and social environment that fosters research at the highest level, and offers a fertile ground for interdisciplinary approaches. Each year, the College appoints a number of Research Fellows to stipendiary or non-stipendiary Fellowships. In 2011/12, 3 stipendiary Research Fellows and 1 non-stipendiary Research Fellows were appointed, each Fellowship lasting four years. In addition, the College appoints visiting Fellows nominated by Fellows and welcomes short-term visitors for academic research. Any Fellow may apply for a small grant to support his or her research. The College runs international conferences, workshops and seminars annually, organized by Fellows of the College.

# **KING'S COLLEGE**

## **REPORT OF THE COUNCIL**

### **Aims and Objectives (Continued)**

*School:* Although the original rationale for the establishment of the school was to educate the Choristers who sing in the College Choir, the College decided that this aim could most effectively and economically be met through a larger school that included those who were not in the College Choir. The School was established on its current site in 1878, on land owned by, and adjacent to the College.

The College considers that the educational needs of the Choristers are best served by being educated in a co-educational school that can offer a broad curriculum and experience while remaining under the control of the College. The Choristers all board at the School in order that they may take part in the routine of services in the Chapel and also so they may be selected from the widest geographical pool. The College believes that the best way of balancing the demands of the choral tradition and the need for high quality education of the Choristers is through such a choir school. The King's College School currently provides an education for some 415 boys and girls aged 4 to 13.

This has been another successful year for our pupils in Year 8 with 23 scholarship awards achieved (7 Academic, 14 Music, 2 Art).

The end of August saw the completion of the new extended dining room. This project was very successful and has transformed the experience of eating lunch for all at the School. The School is continuing to finalise the plans for a new Sports Centre comprising an indoor swimming pool and a gym. The City of Cambridge Design and Conservation Panel has given the project their support and, at the time of writing, the School is about to apply for formal planning permission.

In spite of the present economic situation in the UK, the School's reputation and success has resulted in a continuing high level of interest for places in the School's history. The target for pupil numbers for September 2012 was 415 and this has been achieved. The School has had a successful accounting year, achieving an operating surplus in excess of £350,000. Our bursary scheme continues to expand. This year we have offered financial support to 16 children this year. 4 of these are on 100% support, 1 on 90%, 1 on 60%, 4 on 50%, and the rest on varying levels below 50% of the fees. In addition the number of choristers needing additional financial support above the 66% chorister scholarship continues to increase year by year. This year 12 out of 24 boys have come from such families.

### **Corporate Governance**

1. The following statement is provided by the Council to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.
2. The College is a registered charity (registered number 1139422) and subject to regulation by the Charity Commission for England and Wales. The members of the Council are the charity trustees and are responsible for ensuring compliance with charity law.
3. Council reports to the Governing Body, which consists of the Provost, the Fellows and four student members. The Council and the Governing Body are advised and supported by a number of committees: the Adornment Committee, Buildings and Safety Committee, Catering Committee, Church Patronage Committee, Computing and Website Committee, Development Committee, Disciplinary Committee, Entertainment Committee, Equal Opportunities Committee, Fellows' Remuneration Committee, Fellowship Committee, Finance Committee, Gardens Committee, Grievance Committee, Investment Committee, Library Committee, Personnel Committee, Research Committee, Studentship Electors, Use of Choirs Committee, Use of Space Committee, Wine Committee.
4. The principal officers of the College are the Provost, Vice-Provost, Dean, First Bursar and Senior Tutor.

# **KING'S COLLEGE**

## **REPORT OF THE COUNCIL**

### **Corporate Governance (continued)**

5. The Governing Body appoints the Finance Committee and the Inspectors of Accounts. It is the duty of the Finance Committee to keep under review the effectiveness of the College's internal systems of financial and other controls. The Finance Committee reports to Council, which proposes budgetary and financial controls to the Governing Body. The Governing Body appoints the Inspectors of Accounts to act as internal auditors; to advise on the appointment of external auditors; to consider reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; to make an annual report to the Council and the Governing Body.
6. There is a Register of Interests of all members of the Governing Body. Declarations of interest are required systematically at all meetings of College committees.
7. The members of the Council during the year ended 30 June 2012 are set out on page 2.

### **Statement of Internal Control**

1. The Council is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.
3. The systems of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2011 and up to the date of approval of the financial statements.
4. The College Officers regularly review the risks that the College faces and considers how best to minimise those risks. In doing this, they are assisted by the College committees, notably the Council, Finance Committee and the Inspectors of Accounts. The First Bursar and the Assistant Bursar are responsible for providing the information required by the Finance Committee and the Inspectors of Accounts. The College considers that it is taking appropriate steps to monitor risk and to minimise the risk to our operation and reputation.

## **FINANCIAL REVIEW**

### **Scope and Accounting Policy**

The consolidated financial statements include the activities of the College including those of the School, together with the trading activities of King's College Cambridge Enterprises Limited and the renovation and construction activities undertaken by King's College Cambridge Developments Limited. Together, these entities comprise the Group. References to the College in the Financial Review below refer to the results of the Group.

The accounts are prepared to show a true and fair view. All income and expenditure arising is included in the income and expenditure account, and all capital gains or losses are included in the statement of total recognised gains and losses.

### **Income**

The College funds its activities from academic fees, charges for student residences and catering, the income from its conference and catering business, its invested endowments, and from donations and legacies.

Academic fees were down by 1.7% due to a 2.7% decrease in student numbers partly offset by a 2.7% increase in the graduate fee and a 2.3% in the undergraduate fee. Research income continued to fall as fewer History and Economic projects were undertaken in the College. Income from residences, catering and conferences increased by 8.5%. This arose from a 10.6% increase in catering and conference income due mainly to the fact that the kitchen and servery was closed for 6 weeks in 2010/11 to undertake refurbishment works. Student room rents were up 5.7% due to rent increases. Endowment and investment income fell by 2.6% as earlier falls in the stock market reduced the endowment income derived from the spending rule calculation. School income rose by 5% due to increased pupil numbers. Tourist admissions increased by 19% as a result of higher admission prices and increased tourist numbers. Choir tour and chapel events income was down 13.6% for 2011/12 due to a lighter programme compared to 2010/11 and College shop sales remained the same as increased shop sales were offset by lower on-line sales as a new on-line sales website was being developed during the year. Unrestricted donations were up 15% which included a large legacy that was received in the year.

# **KING'S COLLEGE**

## **REPORT OF THE COUNCIL**

### **Expenditure**

So far as is consistent with balancing the needs of current and future generations of beneficiaries, the College aims to spend as much as possible on its charitable objectives in any period, by using funds from its operations and from its endowment investments. In this year, costs as a whole rose by 3%. Staff costs rose by only 2.5% including a 5.3% increase in School wages due to additional teaching staff. College wages increased 1.1% and includes the appointment of a new Domus Bursar during the year and additional staff for the development office. Following a 4% reduction in operating expenditure across all departments in 2009/10 and a 0.2% increase in 2010/11, College operating expenditure increased 2.1% in 2011/12. This includes a significant increase in utility and maintenance and repair costs for the College partly offset by a £140,000 refund in VAT that related to earlier years. There was a total of £1,022,025 spent on student support (£1,008,567 in 2010/11). This included £302,275 for Cambridge Bursary Scheme payments (£258,025 in 2010/11) for which the College received an 80% refund from the Isaac Newton Trust of £241,820 (£206,420 in 2010/11). The College depreciation charge rose 11.6% to £916,459 due mainly to the completion of the Market Hostel project and it should continue to rise due to the significant expenditure required on its historic buildings in the future. As mentioned in last year's report, the College must look to absorb a higher depreciation charge within its accounts so that income from its endowment and operational activities adequately supports the long term maintenance and preservation of its buildings. The College also expects its fundraising activities to make a significant contribution towards this.

### **Net Financial Performance**

As in previous years, the College has continued to support its net spending on education of £2,726,446 (£2,695,403 in 2010/11) with its net endowment and investment income. The net cost of accommodation rose in 2011/12 to £820,394 (£744,167 in 2010/11) as a result of lower number of conference bed nights during the year. There was a net surplus on catering of £87,231 (£103,055 net cost in 2010/11). There was a six week closure of the kitchen and servery for refurbishment works in 2010/11 and the new facilities have helped to generate higher catering income in 2011/12.

The School recorded a surplus of £361,134 for 2011/12 (£407,909 in 2010/11). In addition, the College provided funds for choristership bursaries and bank interest of £328,440 (£296,064 in 2010/11) and the School paid £200,000 in rent back to the College. A total of £489,574 has been transferred to the funds designated for the School within the College reserves (£1,003,973 in 2010/11).

### **Capital Expenditure**

During the year, capital expenditure was £1,695,941 (£6,677,806 in 2010/11). This includes £485,793 for the School, £333,368 on the Keynes plant room, £213,927 for the kitchen and servery refurbishment, £113,042 to refurbish R staircase and £156,264 on initial payments towards the purchase of 15 Bene't Street. The School's expenditure includes £58,189 for the completion of the new music rooms, £197,393 for two new teaching rooms in St Martin's and £119,425 towards the Sports Centre project.

### **Going Concern**

The College continues to report an operating surplus. The Governing Body has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### **Investments**

The College's net assets (ie endowment including unspent restricted funds and reserves not otherwise invested) are held in a general investment fund. At 30 June 2012, 65% (65% at 30 June 2011) of the general investment fund was invested in UK and international equities and 25% (24% at 30 June 2011) was invested in commercial and residential properties mainly around Cambridge. The remaining funds were held in cash, in fixed interest securities or in unlisted equity investments. The Investment Committee moved £2 million out of the general investment fund into operational cash to pay for capital projects. Cash requirements are met by disinvesting the expendable, unrestricted reserves when required. The capital value of the fund fell 6.8% in 2011/12 (9.5% increase in 2010/11) or a 5.0% decrease in 2011/12 when adjusting for the £2 million cash withdrawal. The FTSE All Share fell 6.6% in 2011/12 (21.8% rise in 2010/11).

### **Investment Policy**

The College aims to manage its endowment on the basis of total return over the long term to provide for real increases in annual expenditure, keeping pace with its own inflation rate whilst growing the capital base in real terms, to meet the needs of both current and future generations. The College aims to diversify its investments in

## **KING'S COLLEGE**

### **REPORT OF THE COUNCIL**

order to reduce volatility in the short to medium term and in selecting investments, the College regards income yield and prospects of capital gains as substitutable.

#### **Restricted Funds (Permanent)**

The spending rules of the permanent restricted funds are contained in each fund's terms as stipulated by the donor. The College aims to spend all income arising in such funds, if the rules permit, and to retain the capital. In 2011/12, all but £288,896 (£285,526 in 2010/11) of the income arising in permanent restricted funds was spent in the year.

#### **Restricted Funds (Expendable)**

The spending rules of the expendable restricted funds are contained in each fund's terms as stipulated by the donor. The College aims to spend all income arising in such funds, if the rules permit, and the College may spend capital from a fund providing it fully satisfies the wishes of the donor.

#### **Designated Funds**

Designated funds are not permitted under the new RCCA guidelines and therefore have been transferred to General reserves. Included within General reserves, the College has designated the ongoing reserves of the School as a separate fund to reflect the responsibility given to the School Governors by the College.

#### **Risk Assessment**

The College considers that it is exercising appropriate management of the risks associated with its activities but did not carry out a formal risk evaluation review during the year.

## **KING'S COLLEGE**

### **STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL AND GOVERNING BODY**

The Council in conjunction with the Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing those financial statements the Council in conjunction with the Governing Body is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Council in conjunction with the Governing body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **KING'S COLLEGE**

### **INDEPENDENT AUDITORS' REPORT TO THE COUNCIL AND GOVERNING BODY OF KING'S COLLEGE**

We have audited the financial statements of King's College for the year ended 30 June 2012 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated and College balance sheets, the consolidated cash flow statement and related notes. The financial reporting frame work that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Council and Governing Body, as a body, in accordance with College's Statutes and the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the College's Council and Governing Body those matters we are required to state to them in an auditors' 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 College and the College's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the College's Council and Governing Body and auditors**

As explained more fully in the Council and Governing Body Responsibilities Statement set out on page 11, the Council and Governing Body are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [APB's] Ethical Standards for Auditors.

#### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial information in the Report of the Council to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the College's affairs as at 30 June 2012 and of the group's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Charities Act 2011, the College's Statutes and the Statutes of the University of Cambridge;
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

**KING'S COLLEGE**

**INDEPENDENT AUDITORS' REPORT TO THE COUNCIL AND GOVERNING  
BODY OF KING'S COLLEGE**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Council is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**PETERS ELWORTHY & MOORE**

**Chartered Accountants and Statutory Auditors**

**CAMBRIDGE**

**Date:**

# **KING'S COLLEGE**

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom Accounting Standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 12.

### **BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment assets.

### **BASIS OF CONSOLIDATION**

The financial statements incorporate those of the College, which includes the School, and the College's subsidiaries, King's College Cambridge Developments Limited and King's College Cambridge Enterprises Limited.

The accounts do not include the activities of the King's College Student Union and King's College Graduate Society, on the basis that the College does not have control over the operations of these entities.

### **RECOGNITION OF INCOME AND INVESTMENT RETURN**

#### **Academic fees**

Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors.

#### **Income from research grants**

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

#### **Donations and benefactions**

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the income and expenditure account. Donations which are to be retained for the future benefit of the College, and other donations with substantially restricted purposes, other than for the acquisition or construction of tangible fixed assets, are recognised in the statement of total recognised gains and losses as new endowments.

#### **Capital grants and donations**

Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants when the related capital expenditure is incurred and released to income over the estimated useful life of the respective assets in line with the depreciation policy. Grants and donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the income and expenditure account in the year of acquisition.

#### **Endowment and investment income**

All investment income is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

# KING'S COLLEGE

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### Total return

The College operates a total return policy with regard to its endowment assets (including property). Spendable income equivalent to 4% of the average endowment for the last three years is included as endowment income in the year. This 4% spending rule income is before the deduction of investment management and property fees which are shown in expenditure in the income and expenditure account.

### Other income

Income is received from a range of activities including residences, catering, conferences and other services rendered.

## PENSION SCHEMES

The College pays contributions to two pension schemes which provide benefits to its members based on final pensionable salary. The assets of these schemes are held separately from those of the College.

### Universities Superannuation Scheme

The College participates in the Universities Superannuation Scheme ("USS"), a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme (S2P). The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Due to the fact that the College's individual surplus or deficit cannot be ascertained, the College accounts for the USS as if it were a defined contribution scheme. Pension costs are accounted for when contributions are paid.

### Cambridge Colleges Federated Pension Scheme

The College also contributes to the Cambridge Colleges Federated Pension Scheme ("CCFPS"), which is a similar defined benefit pension scheme to the USS. However, unlike the USS, this scheme has surpluses and deficits directly attributable to individual colleges. Current service costs, assessed by the scheme actuary, are included as part of expenditure. The expected return on assets less the interest cost is shown as a net amount as part of other income or expenditure. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Actuarial valuations are obtained at least triennially and are updated at each balance sheet date for accounting purposes. The assets of the Scheme are measured at fair value, and liabilities are estimated on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The resulting net asset or liability is presented separately after total assets less current liabilities on the face of the balance sheet.

## TANGIBLE FIXED ASSETS

### a. Land and buildings

Land and buildings are stated at cost. Freehold buildings are depreciated on a straight line basis over their expected useful economic lives of 50 years. Freehold land is not shown separately.

When land and buildings are acquired with the aid of restricted bequests or donations, that income is credited to a restricted deferred capital account and income released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

### b. Maintenance of premises

The cost of major refurbishment is capitalised and depreciated over the expected useful economic life. The cost of routine maintenance under £10,000 is charged to the income and expenditure account as it is incurred.

## **KING'S COLLEGE**

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **c. Plant, furniture, fittings and equipment**

Plant, furniture, fittings and equipment are capitalised at cost. Depreciation is provided in equal annual instalments over the estimated useful lives of the assets, which are as follows:

Plant	20 years
Furniture and equipment	10 years
Computer equipment	5 years

These assets are assumed to be scrapped once they reach the end of their estimated useful lives. Therefore they are eliminated from the financial statements at this point.

#### **d. Heritage assets**

The College holds and conserves a number of rare books, silver, works of art and other artefacts that are of historical, cultural or scientific importance. These assets are regarded as operational assets, being part of the cultural endowment of the College.

In accordance with FRS 15 and FRS 30 (Heritage assets), such assets acquired before 1<sup>st</sup> July 2006 have not been capitalised, since reliable estimates of cost or value could not be found without unreasonable effort or expenditure. Moreover, the historic cost would neither reflect their current value nor their importance to the College. Acquisitions since 1<sup>st</sup> July 2006 have been capitalised at cost or, in the case of donations, at fair value on receipt. The threshold for capitalising assets is £10,000, in line with the accounting policy for equipment. Such items are included in other tangible fixed assets and are not depreciated as their value is preserved by the College.

#### **e. Tangible fixed assets**

The College had not capitalised its tangible fixed assets (other than shop equipment) before 2004. It has adopted the following transitional approach in order to comply with FRS15, the relevant financial reporting standard:

- All expenditure on each class of assets has been identified, for those assets which were not fully written off by 30 June 2004. No other past expenditure is included in 'cost' figures.
- A capitalisation threshold of £1 was adopted for periods up to 30 June 2002; the threshold was increased to £10,000 per item or group of similar items from 1 July 2002.
- Expenditure on furniture, fittings and equipment is aggregated up to 30 June 2002 and accordingly once expenditure is fully written off it is eliminated from the accounts.
- Rare books, silver, works of art and similar items donated to the College since 1 July 1999 are recorded at estimated fair value. Older items are retained at their previous valuation of £nil.

### **FOREIGN CURRENCIES**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### **INVESTMENTS**

#### **a. Securities**

Securities listed on a recognised stock exchange are shown at their market value, ie the middle market quotation ruling at the close of business on 30 June, translated for overseas investments into sterling at the rates of exchange ruling at that date. Unlisted securities are shown at the Governing Body's estimate of market value.

Investment income is included as and when dividends and interest become payable. Interest on bank deposits is included as earned. Interest purchased or sold as part of the price for investments is treated as capital rather than being brought into the income and expenditure account.

## **KING'S COLLEGE**

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **b. Properties**

Investment properties are revalued annually.

#### **c. Other investments**

Shared equity housing interests are stated at cost. Royalties are held at valuation and are valued annually by independent valuers.

#### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

#### **PROVISIONS**

Provisions are recognised if, 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.

#### **ENDOWMENT FUNDS**

Endowment funds are classified under three headings:

- a. Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the College, the fund is classified as an unrestricted permanent endowment.
- b. Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.
- c. Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the College must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

#### **TAXATION**

The College is a registered charity (number 1139422) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the 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.

#### **CONTRIBUTION UNDER STATUTE G,II**

The College is liable to be assessed for Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants. The liability for the year is as advised to the College by the University based on an assessable amount derived from the value of the College's assets as at the end of the previous financial year.

# KING'S COLLEGE

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT Year ended 30 June 2012

	Note	2012 £000	2011 £000
<b>INCOME</b>			
Academic fees and charges	1	2,111	2,184
Residence, catering and conferences	2	4,737	4,365
School	3	4,849	4,617
Endowment and investment income	4	4,415	4,535
Donations	5	588	509
Profit from sale of operational buildings		1,382	-
Other income	6	1,787	1,670
<b>Total income</b>		<u>19,869</u>	<u>17,880</u>
<b>EXPENDITURE</b>			
Education	8	4,840	4,879
Residence, catering and conferences	9	5,470	5,212
School	10	4,472	4,196
Other expenditure	11	2,812	2,796
<b>Total expenditure</b>		<u>17,594</u>	<u>17,083</u>
Surplus on continuing operations before Contribution under Statute G,II		2,275	797
University Contribution under Statute G,II		(148)	(152)
Surplus on continuing operations after Contribution under Statute G,II		2,127	645
Deficit/(surplus) for the year transferred to accumulated income in endowment funds		95	(53)
<b>Surplus for the year retained within general reserves</b>		<u>2,222</u>	<u>592</u>

All items dealt with in arriving at the surplus for 2012 and 2011 relate to continuing operations. The difference between the results as disclosed in the income and expenditure account and the result on an unmodified historical cost basis is not material.

The notes on pages 20 to 38 form part of these accounts.

**KING'S COLLEGE**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**30 June 2012**

	<b>Note</b>	<b>Restricted 2012 £000</b>	<b>Unrestricted 2012 £000</b>	<b>2012 £000</b>	<b>2011 £000</b>
Surplus for the year		-	2,222	2,222	592
(Overspent)/unspent endowment fund income		(95)	-	(95)	53
Total return not recognised in the income and expenditure account	4(b)	(2,754)	(4,068)	(6,822)	12,461
Actuarial (losses)/gains on pension scheme	26	-	(1,933)	(1,933)	616
New endowments	21	1,035	-	1,035	1,169
Transfer to deferred capital	20	(532)	-	(532)	-
<b>Total recognised (losses)/gains for the year</b>		<b>(2,346)</b>	<b>(3,779)</b>	<b>(6,125)</b>	<b>14,891</b>
<b>Reconciliation</b>					
Opening reserves and endowments		47,865	105,238	153,103	138,212
Total recognised (losses)/gains for the year		(2,346)	(3,779)	(6,125)	14,891
<b>Closing reserves and endowments</b>		<b>45,519</b>	<b>101,459</b>	<b>146,978</b>	<b>153,103</b>

The notes on pages 20 to 38 form part of these accounts.

**KING'S COLLEGE**

**BALANCE SHEETS**

**30 June 2012**

	Note		<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>	
<b>FIXED ASSETS</b>							
Tangible assets	13		35,854	35,842	35,567	35,550	
Investment assets	14		23,485	23,485	26,077	26,077	
			<u>59,339</u>	<u>59,327</u>	<u>61,644</u>	<u>61,627</u>	
<b>ENDOWMENT ASSETS</b>	15		86,974	86,974	91,971	91,971	
<b>CURRENT ASSETS</b>							
Stocks - good for resale			1,811	45	1,624	49	
Debtors	16		1,829	4,335	1,485	2,947	
Cash at bank and in hand	17		4,799	4,150	1,898	1,781	
			<u>8,439</u>	<u>8,530</u>	<u>5,007</u>	<u>4,777</u>	
<b>CREDITORS: amounts falling due within one year</b>	18		<u>(2,636)</u>	<u>(2,791)</u>	<u>(2,928)</u>	<u>(2,757)</u>	
<b>NET CURRENT ASSETS</b>			<u>5,803</u>	<u>5,739</u>	<u>2,079</u>	<u>2,020</u>	
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>							
			152,116	152,040	155,694	155,618	
Net pension liability	19		<u>(4,048)</u>	<u>(4,048)</u>	<u>(2,289)</u>	<u>(2,289)</u>	
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			<u>148,068</u>	<u>147,992</u>	<u>153,405</u>	<u>153,329</u>	
<b>Represented by:</b>							
		<b>Restricted Funds</b>	<b>Un- restricted Funds</b>	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
<b>DEFERRED CAPITAL GRANTS</b>	20	1,090	-	1,090	1,090	302	302
<b>ENDOWMENTS</b>							
Expendable endowments	21	19,396	-	19,396	19,396	20,826	20,826
Permanent endowments	21	26,123	41,455	67,578	67,578	71,145	71,145
		<u>45,519</u>	<u>41,455</u>	<u>86,974</u>	<u>86,974</u>	<u>91,971</u>	<u>91,971</u>
<b>RESERVES</b>							
General reserves excluding pension reserve	22	-	64,052	64,052	63,976	63,421	63,345
Pension reserve	22	-	(4,048)	(4,048)	(4,048)	(2,289)	(2,289)
		<u>-</u>	<u>60,004</u>	<u>60,004</u>	<u>59,928</u>	<u>61,132</u>	<u>61,056</u>
<b>TOTAL ENDOWMENTS AND RESERVES</b>		<u>45,519</u>	<u>101,459</u>	<u>146,978</u>	<u>146,902</u>	<u>153,103</u>	<u>153,027</u>
<b>TOTAL FUNDS</b>		<u>46,609</u>	<u>101,459</u>	<u>148,068</u>	<u>147,992</u>	<u>153,405</u>	<u>153,329</u>

Approved by the Governing Body on 29 November 2012 and signed on their behalf by:

Dr T K Carne  
First Bursar

The notes on pages 20 to 38 form part of these accounts.

# KING'S COLLEGE

## CONSOLIDATED CASH FLOW STATEMENT Year ended 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Surplus on continuing operations before university contribution	2,275	797
Depreciation	1,132	1,041
Loss on disposal	277	34
Deferred capital grants released to income	(17)	(6)
Pension scheme credit	(174)	(183)
Endowment and investment income	(4,415)	(4,535)
Increase in stocks	(187)	(134)
(Increase)/decrease in debtors	(937)	328
Increase/(decrease) in creditors	307	(471)
<b>Net cashflow from operating activities</b>	<u>(1,739)</u>	<u>(3,129)</u>
<b>Returns on investments and servicing of finance</b>		
Endowment and investment income received	3,086	3,206
(Loss)/profit from sale of investments	(55)	1,458
	<u>3,031</u>	<u>4,664</u>
<b>Contribution to Colleges fund</b>	<u>(152)</u>	<u>(229)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(1,695)	(6,678)
Net (payments)/receipts for investments	(3,329)	2,167
New endowments received	1,308	1,169
	<u>(3,716)</u>	<u>(3,342)</u>
<b>Decrease in cash</b>	<u>(2,576)</u>	<u>(2,036)</u>
<b>Reconciliation of net cash flow to movement in funds</b>		
Net funds at 1 July 2011	9,104	11,140
Decrease in cash	(2,576)	(2,036)
Net funds at 30 June 2012	<u>6,528</u>	<u>9,104</u>
<b>Represented by:</b>		
Cash with fund manager	1,729	7,206
Cash at bank	4,799	1,898
	<u>6,528</u>	<u>9,104</u>

The notes on pages 20 to 38 form part of these accounts.

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 1. ACADEMIC FEES AND CHARGES

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Fee income paid on behalf of undergraduates at Publicly-funded Undergraduate rate (per capita fee £3,951 (2010/11: £3,861))	1,418	1,437
Privately-funded undergraduate fee income (per capita fee £4,728 (2010/11: £4,620))	180	211
Fee income received at the Graduate fee rate (per capita fee £2,289 (2010/11: £2,229))	408	392
Other academic income	45	53
Research income	60	91
Total	<u>2,111</u>	<u>2,184</u>

### 2. INCOME FROM RESIDENCES, CATERING AND CONFERENCES

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Accommodation		
College members	2,150	2,026
International programmes	213	227
Third parties	272	319
Catering		
College members	1,033	933
International programmes	69	58
Third parties	1,000	802
Total	<u>4,737</u>	<u>4,365</u>

### 3. SCHOOL INCOME

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Fees	4,714	4,490
Other income	134	126
Donations	1	1
Total	<u>4,849</u>	<u>4,617</u>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 4. ENDOWMENT AND INVESTMENT INCOME

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>4a. Analysis of Endowment Income</b>		
Total return recognised in the income and expenditure account (note 4b)	4,256	4,307
Restrictive covenants	17	72
Cash balances	29	27
Royalties	113	129
	<u>4,415</u>	<u>4,535</u>
<b>4b. Summary of Total Return</b>		
<u>Income from:</u>		
Freehold land and buildings	1,178	1,431
Quoted securities and cash	1,750	1,548
	<u>2,928</u>	<u>2,979</u>
<u>(Losses)/gains on Investment Assets:</u>		
Freehold land and buildings	(285)	686
Quoted securities and cash	(5,209)	13,103
	<u>(5,494)</u>	<u>13,789</u>
Total return for the year	(2,566)	16,768
Transfer to income and expenditure account (note 4a)	(4,256)	(4,307)
Unapplied total return for year included within statement of total recognised gains and losses (see note 23)	<u>(6,822)</u>	<u>12,461</u>

### 5. DONATIONS

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Unrestricted donations	431	377
Restricted donations	140	126
Released from deferred capital grant	17	6
Total	<u>588</u>	<u>509</u>

**KING'S COLLEGE**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2012**

**6. OTHER INCOME**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Tourist admissions and shop sales	1,352	1,198
Chapel and choir	344	384
Other income	91	88
	<u>1,787</u>	<u>1,670</u>
Total	<u><u>1,787</u></u>	<u><u>1,670</u></u>

**7. STAFF EXPENDITURE**

	<b>College fellows</b>	<b>Non-academic</b>	<b>School</b>	<b>Total 2012</b>	<b>Total 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Staff costs</b>					
Salaries and wages	1,371	4,071	2,696	8,138	7,877
Social security costs	94	248	203	545	532
Pension contributions (see note 26)	129	313	335	777	818
	<u>1,594</u>	<u>4,632</u>	<u>3,234</u>	<u>9,460</u>	<u>9,227</u>
	<u><u>1,594</u></u>	<u><u>4,632</u></u>	<u><u>3,234</u></u>	<u><u>9,460</u></u>	<u><u>9,227</u></u>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Average staff numbers</b> (not full-time equivalent)	<u>101</u>	<u>220</u>	<u>103</u>	<u>424</u>	<u>412</u>
	<u><u>101</u></u>	<u><u>220</u></u>	<u><u>103</u></u>	<u><u>424</u></u>	<u><u>412</u></u>

All the 101 Fellows disclosed above are stipendiary (2010/11: 97).

The full-time equivalent number for non-academic and school employees is 266.

The number of officers or employees of the College, including Head of House and School, who received emoluments (including employer pension contributions) in the following ranges were:

	<b>2012</b>	<b>2011</b>
£100,000-£109,999	1	1
£110,000-£119,999	1	1

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
During the year emoluments paid to trustees in their capacity as College Fellows was:		
Aggregated emoluments	<u>406</u>	<u>343</u>
	<u><u>406</u></u>	<u><u>343</u></u>

The trustees receive no emoluments in their role as trustees of the Charity.

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 8. EDUCATION EXPENDITURE

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Teaching	2,016	2,021
Tutorial	449	479
Admissions - General	300	323
Admissions - Access and Widening Participation	515	456
Research	770	781
Scholarships and awards	447	486
Other educational facilities	343	333
	<hr/>	<hr/>
Total	4,840	4,879
	<hr/> <hr/>	<hr/> <hr/>

### 9. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Accommodation		
College members	2,777	2,666
Third parties	678	651
Catering		
College members	1,272	1,252
Third parties	743	643
	<hr/>	<hr/>
Total	5,470	5,212
	<hr/> <hr/>	<hr/> <hr/>

### 10. SCHOOL EXPENDITURE

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Staff costs	3,234	3,071
Other expenditure	1,022	911
Depreciation	216	214
	<hr/>	<hr/>
Total	4,472	4,196
	<hr/> <hr/>	<hr/> <hr/>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 11. OTHER EXPENDITURE

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Investment management costs	597	653
Tourist admission and shop expenditure	392	343
Chapel expenditure	1,216	1,209
Development	452	437
Other expenditure	155	154
	<hr/>	<hr/>
Total	2,812	2,796
	<hr/> <hr/>	<hr/> <hr/>
Included within other costs is auditors' remuneration as follows:		
Fees payable to the College's auditors for the audit of the College's annual accounts	22	21
Fees payable to the College's auditors for the audit of the College's subsidiaries pursuant to legislation	5	4
Other fees payable to the College's auditors	-	1
	<hr/>	<hr/>
Total fees payable	27	26
	<hr/> <hr/>	<hr/> <hr/>

### 12. ANALYSIS OF EXPENDITURE BY ACTIVITY

	<b>Staff costs</b>	<b>Other operating expenses</b>	<b>Depreciation</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2011/12</b>				
Education	2,393	2,221	226	4,840
Residences, catering and conferences	2,832	1,995	643	5,470
School	3,234	1,022	216	4,472
Other	1,001	1,761	50	2,812
	<hr/>	<hr/>	<hr/>	<hr/>
	9,460	6,999	1,135	17,594
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2010/11</b>				
Education	2,409	2,267	203	4,879
Residences, catering and conferences	2,804	1,829	579	5,212
School	3,071	911	214	4,196
Other	943	1,808	45	2,796
	<hr/>	<hr/>	<hr/>	<hr/>
	9,227	6,815	1,041	17,083
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above expenditure includes £356,385 as the cost of fundraising (2010/11: £302,132).

This expenditure includes the costs of alumni relations.

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 13. TANGIBLE FIXED ASSETS

<b>a) Buildings and equipment – Group</b>		<u>Plant,</u>				
		<u>Freehold</u>	<u>Furniture</u>	<u>Computer</u>	<u>Heritage</u>	
		<u>land and</u>	<u>and</u>	<u>Equipment</u>	<u>Assets</u>	
		<u>buildings</u>	<u>equipment</u>			<b>Group</b>
						<b>2012</b>
						<b>£000</b>
<b>Cost</b>						
At 1 July 2011	43,707	2,797	915	942	48,361	41,755
Additions	1,522	134	40	-	1,696	6,678
Disposals	(433)	(18)	-	-	(451)	(72)
	<u>44,796</u>	<u>2,913</u>	<u>955</u>	<u>942</u>	<u>49,606</u>	<u>48,361</u>
<b>Depreciation</b>						
At 1 July 2011	10,329	1,688	777	-	12,794	11,791
Charge for the year	935	147	50	-	1,132	1,041
Eliminated on disposals	(160)	(14)	-	-	(174)	(38)
	<u>11,104</u>	<u>1,821</u>	<u>827</u>	<u>-</u>	<u>13,752</u>	<u>12,794</u>
<b>Net book value – Group</b>	<u>33,692</u>	<u>1,092</u>	<u>128</u>	<u>942</u>	<u>35,854</u>	<u>35,567</u>
Net book value is represented by;						
College	28,135	886	60	942	30,023	30,006
School	5,557	206	68	-	5,831	5,561
	<u>33,692</u>	<u>1,092</u>	<u>128</u>	<u>942</u>	<u>35,854</u>	<u>35,567</u>
<b>b) Buildings and equipment - College</b>		<u>Plant,</u>				
		<u>Freehold</u>	<u>Furniture</u>	<u>Computer</u>	<u>Heritage</u>	
		<u>land and</u>	<u>and</u>	<u>Equipment</u>	<u>Assets</u>	
		<u>buildings</u>	<u>equipment</u>			<b>College</b>
						<b>2012</b>
						<b>£000</b>
<b>Cost</b>						
At 1 July 2011	43,707	2,775	897	942	48,321	41,715
Additions	1,522	134	40	-	1,696	6,678
Disposals	(433)	(18)	-	-	(451)	(72)
	<u>44,796</u>	<u>2,891</u>	<u>937</u>	<u>942</u>	<u>49,566</u>	<u>48,321</u>
<b>Depreciation</b>						
At 1 July 2011	10,329	1,678	764	-	12,771	11,775
Charge for the year	935	144	48	-	1,127	1,034
Eliminated on disposals	(160)	(14)	-	-	(174)	(38)
	<u>11,104</u>	<u>1,808</u>	<u>812</u>	<u>-</u>	<u>13,724</u>	<u>12,771</u>
<b>Net book value - College</b>	<u>33,692</u>	<u>1,083</u>	<u>125</u>	<u>942</u>	<u>35,842</u>	<u>35,550</u>
Net book value is represented by;						
College	28,135	877	57	942	30,011	29,989
School	5,557	206	68	-	5,831	5,561
	<u>33,692</u>	<u>1,083</u>	<u>125</u>	<u>942</u>	<u>35,842</u>	<u>35,550</u>

c) The insured value of freehold land and buildings as at 30 June 2012 was £198 million (£192 million at 30 June 2011).

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 13. TANGIBLE FIXED ASSETS (continued)

#### Heritage assets

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance.

As stated in the statement of principal accounting policies, heritage assets acquired since 1 July 2006 have been capitalised. However, the majority of assets held in the College's collections were acquired prior to this date. As reliable estimates of cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result the total included in the balance sheet is partial.

Amounts for the current and previous four years were as follows:

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Acquisitions purchased with specific donations	-	-	470	120	-	-
Acquisitions purchased with College funds	-	23	-	10	-	8
Total cost of acquisitions purchased	-	23	470	130	-	8
Value of acquisitions by donation	-	-	-	-	-	-
Total acquisitions capitalised	-	23	470	130	-	8

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 14. INVESTMENTS ASSETS

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Balance at beginning of year	26,077	26,077	26,335	26,335
Additions	432	432	720	720
Disposals	(220)	(220)	(113)	(113)
(Depreciation)/appreciation on disposal or revaluation	(38)	(38)	39	39
Movement in College expendable investments	(2,766)	(2,766)	(904)	(904)
Balance at end of year	<u>23,485</u>	<u>23,485</u>	<u>26,077</u>	<u>26,077</u>
represented by:				
Quoted securities and unit trusts	384	384	416	416
Investment in subsidiary undertakings	-	-	-	-
Freehold land and buildings	2,201	2,201	1,994	1,994
College expendable investments	20,125	20,125	22,892	22,892
Literary royalties	775	775	775	775
Total	<u>23,485</u>	<u>23,485</u>	<u>26,077</u>	<u>26,077</u>

#### Subsidiary Undertakings

At 30 June 2012, Kings College held an investment in the following companies:	<b>Holding</b>	<b>Proportion of voting rights</b>	<b>Country of Incorporation</b>	<b>Nature of Business</b>
King's College Cambridge Enterprises Ltd	Ordinary	100%	United Kingdom	Provision of conference facilities
King's College Cambridge Developments Ltd	Ordinary	100%	United Kingdom	Provision of development facilities

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 15. ENDOWMENT ASSETS

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Investments at beginning of year	91,971	91,971	81,119	81,119
Additions	5,202	5,202	10,673	10,673
Disposals	(2,079)	(2,079)	(13,447)	(13,447)
(Depreciation)/appreciation on disposal or revaluation	(5,409)	(5,409)	12,298	12,298
Movement in amount due from expendable capital	2,766	2,766	904	904
(Decrease)/increase in cash balance held at fund managers	(5,477)	(5,477)	424	424
	<u>86,974</u>	<u>86,974</u>	<u>91,971</u>	<u>91,971</u>
Balance at end of year	<u>86,974</u>	<u>86,974</u>	<u>91,971</u>	<u>91,971</u>
Represented by:				
Quoted securities – equities	70,054	70,054	75,220	75,220
Quoted securities – fixed interest	7,157	7,157	3,687	3,687
Freehold land and buildings	26,798	26,798	27,045	27,045
Unlisted securities	1,361	1,361	1,705	1,705
Cash with fund manager	1,729	1,729	7,206	7,206
College expendable investments	<u>(20,125)</u>	<u>(20,125)</u>	<u>(22,892)</u>	<u>(22,892)</u>
Total	<u>86,974</u>	<u>86,974</u>	<u>91,971</u>	<u>91,971</u>

### 16. DEBTORS

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Members of the College	47	46	39	37
Trade debtors	284	160	280	169
Amounts due from subsidiary companies	-	2,388	-	1,707
Other debtors	1,498	1,741	1,166	1,034
	<u>1,829</u>	<u>4,335</u>	<u>1,485</u>	<u>2,947</u>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS Year ended 30 June 2012

### 17. CASH AND BANK BALANCES

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Short-term money market investments	2,706	2,706	702	702
Bank deposits	1,386	1,386	1,026	1,026
Current accounts	701	53	164	48
Cash in hand	6	5	6	5
	<u>4,799</u>	<u>4,150</u>	<u>1,898</u>	<u>1,781</u>

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

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Members of the College	80	80	101	101
Trade creditors	631	590	309	278
Accruals and deferred income	645	596	770	720
Social security, pension and taxes	203	203	197	197
University fees	50	50	69	69
Contribution to Colleges fund	148	148	152	152
Other creditors	879	1,124	1,330	1,240
	<u>2,636</u>	<u>2,791</u>	<u>2,928</u>	<u>2,757</u>

### 19. PENSION LIABILITIES

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Balance at beginning of year	(2,289)	(2,289)	(3,088)	(3,088)
Movement in year:				
Current service cost	(32)	(32)	(200)	(200)
Contributions paid by the College	269	269	471	471
Finance cost	(63)	(63)	(88)	(88)
Actuarial (losses)/gains recognised in statement of total recognised gains and losses	(1,933)	(1,933)	616	616
	<u>(4,048)</u>	<u>(4,048)</u>	<u>(2,289)</u>	<u>(2,289)</u>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 20. DEFERRED CAPITAL GRANTS

	<b>Group 2012 £000</b>	<b>College 2012 £000</b>	<b>Group 2011 £000</b>	<b>College 2011 £000</b>
Balances at beginning of year:				
Buildings	302	302	308	308
Donations received:				
Buildings	273	273	-	-
Transfer from restricted funds:				
Buildings – Ferris fund	532	532	-	-
Released to income and expenditure account:				
Buildings	(17)	(17)	(6)	(6)
Balances at end of year:				
Buildings	<u>1,090</u>	<u>1,090</u>	<u>302</u>	<u>302</u>

**KING'S COLLEGE**

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2012**

**21. ENDOWMENTS**

	<b>Un- restricted Permanent 2012 £000</b>	<b>Restricted Permanent 2012 £000</b>	<b>Total Permanent 2012 £000</b>	<b>Restricted Expend- able 2012 £000</b>	<b>Total 2012 £000</b>	<b>Total 2011 £000</b>
Balance at beginning of year:	44,106	27,039	71,145	20,826	91,971	81,119
Comprising:						
Capital	44,106	22,533	66,639	20,112	86,751	75,551
Unspent income	-	4,506	4,506	714	5,220	5,568
	<u>44,106</u>	<u>27,039</u>	<u>71,145</u>	<u>20,826</u>	<u>91,971</u>	<u>81,119</u>
New endowments received	-	396	396	639	1,035	1,169
Income receivable from endowment asset investments	1,397	846	2,243	606	2,849	2,839
Expenditure	(1,397)	(557)	(1,954)	(990)	(2,944)	(2,786)
Net transfer (to)/from income and expenditure account	-	289	289	(384)	(95)	53
Increase in market value of investments	(2,651)	(1,605)	(4,256)	(1,150)	(5,406)	10,030
Transfer to reserves	-	4	4	(535)	(531)	(400)
Balance at end of year	<u>41,455</u>	<u>26,123</u>	<u>67,578</u>	<u>19,396</u>	<u>86,974</u>	<u>91,971</u>
Comprising:						
Capital	41,455	21,328	62,783	19,066	81,849	86,751
Unspent income	-	4,795	4,795	330	5,125	5,220
Balance at end of year	<u>41,455</u>	<u>26,123</u>	<u>67,578</u>	<u>19,396</u>	<u>86,974</u>	<u>91,971</u>
Representing:						
Student support	-	18,237	18,237	8,001	26,238	27,070
Fellowship	-	3,749	3,749	3,524	7,273	7,675
Chapel and choir	-	1,101	1,101	5,997	7,098	7,466
Buildings	-	-	-	959	959	1,552
Other funds	-	3,036	3,036	915	3,951	4,102
General endowments	41,455	-	41,455	-	41,455	44,106
	<u>41,455</u>	<u>26,123</u>	<u>67,578</u>	<u>19,396</u>	<u>86,974</u>	<u>91,971</u>

**KING'S COLLEGE****NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2012****22. RESERVES**

	<b>General Reserves £000</b>	<b>School Reserve £000</b>	<b>Pension Reserve £000</b>	<b>Total 2012 £000</b>	<b>Total 2011 £000</b>
<b>GROUP</b>					
Balance at beginning of year	55,499	7,922	(2,289)	61,132	57,093
Surplus retained for the year	1,687	361	174	2,222	592
Actuarial (losses)/gains	-	-	(1,933)	(1,933)	616
(Decrease)/increase in market value of investments	(1,417)	-	-	(1,417)	2,431
Transfer from endowment	-	-	-	-	400
Transfer between reserves	(128)	128	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	<u>55,641</u>	<u>8,411</u>	<u>(4,048)</u>	<u>60,004</u>	<u>61,132</u>
<b>COLLEGE</b>					
Balance at beginning of year	55,423	7,922	(2,289)	61,056	57,017
Surplus retained for the year	1,687	361	174	2,222	592
Actuarial (losses)/gains	-	-	(1,933)	(1,933)	616
(Decrease)/increase in market value of investments	(1,417)	-	-	(1,417)	2,431
Transfer from endowment	-	-	-	-	400
Transfer between reserves	(128)	128	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	<u>55,565</u>	<u>8,411</u>	<u>(4,048)</u>	<u>59,928</u>	<u>61,056</u>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 23. MEMORANDUM OF UNAPPLIED TOTAL RETURN

<b>Memorandum of Unapplied Total Return</b>	<b>2012 £000</b>	<b>2011 £000</b>
Within reserves the following amounts represent the Unapplied Total Return of the College:		
Unapplied total return at the beginning of year	43,184	30,723
Unapplied total return for the year (note 4b)	(6,822)	12,461
	<hr/>	<hr/>
Unapplied total return at end of year	36,362	43,184
	<hr/> <hr/>	<hr/> <hr/>

### 24. CAPITAL COMMITMENTS

Authorised future capital expenditure amounted to £5 million at 30 June 2012 for the purchase of 15 Bene't street (nil at 30 June 2011). In addition the College has committed to invest a further £132k in Private Equity funds.

### 25. FINANCIAL COMMITMENTS

At 30 June 2012 and 2011 the College had no annual commitments under non-cancellable operating leases.

### 26. PENSION SCHEMES

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federation Pension Scheme (CCFPS). The total pension cost for the period was £1,073,000 (2010/11 £1,019,000).

#### University Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 2012**

**26. PENSION SCHEMES (USS continued)**

At the valuation date, the value of the assets of the scheme was £32,433.5M and the value of the scheme's technical provisions was £35,343.7M indicating a shortfall of £2,910.2M. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if

USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New entrants - other than in specific, limited circumstances, new entrants are now provided for on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age - the Normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement - flexible retirement options were introduced.

Member contributions increased - contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing - if the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap - for service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market assessment of

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 26. PENSION SCHEMES (USS continued)

inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

At 31 March 2012, USS had over 145,000 active members and the College had 219 active members participating in the scheme. The total pension cost for the College was £804,270 (2010/11 £548,000). The contribution rate payable by the College was 16% of pensionable salaries.

#### Cambridge Colleges Federation Pension Scheme

The College is a member of a multi-employer defined benefit scheme, the Cambridge Colleges Federated Pension Scheme. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. The Scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004. The College's employees covered by the Scheme are contracted out of the State Second Pension (S2P).

The contribution made by the College in respect of the 12 month period ended 30 June 2012 was £269,000 (2011: £471,000), excluding PHI premiums. The agreed contributions to be paid by the College for the forthcoming year are 17.78% of Contribution Pay plus £267,350pa, subject to review at future actuarial valuations. This rate excludes PHI.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	30 June 2012	30 June 2011
Discount rate	4.7%	5.5%
Expected long-term rate of return on scheme assets	5.6%	6.2%
Salary inflation assumption	2.2%*	3.2%**
Inflation assumption (RPI)	2.7%	3.4%
Inflation assumption (CPI)	1.7%	2.7%
Pension increases (inflation linked)	2.7%	3.4%

\* 1.5% in 2012 and 2013; 2.2% thereafter

\*\*2% in 2011 only

The underlying mortality assumption is based upon the standard table known as Self-administered Pension Schemes (SAPS) mortality tables for average normal pensioners projected in line with the CMI 2009 projection and a target long-term improvement rate of 0.75% per annum. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years (previously 21.7 years)
- Female age 65 now has a life expectancy of 24.1 years (previously 23.6 years).
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.8 years (previously 22.8 years)
- Female age 45 now and retiring in 20 years would have a life expectancy then of 25.3 years (previously 24.8 years).

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**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2012**

**26. PENSION SCHEMES (CCFPS continued)**

	Long term rate of return expected at 30 June 2012	Value at 30 June 2012 £000	Long term rate of return expected at 30 June 2011	Value at 30 June 2011 £000
Equities and hedge funds	6.4%	5,302	7.1%	5,201
Cash, bonds and net current assets	3.7%	2,008	4.8%	3,344
Property	5.4%	723	6.1%	743
Total market value of assets		<u>8,033</u>		<u>9,288</u>

The following results were measured in accordance with the requirements of FRS 17, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Opening defined benefit obligation	(11,577)	(11,140)	9,288	8,052	(2,289)	(3,088)
Service cost	(43)	(248)	-	-	(43)	(248)
Employer contributions	-	-	269	471	269	471
Expected return on scheme assets	-	-	563	497	563	497
Contribution by members	-	-	11	48	11	48
Interest cost	(626)	(585)	-	-	(626)	(585)
Actuarial (losses)/gains	(292)	(29)	(1,641)	645	(1,933)	616
Benefits and expenses paid	457	425	(457)	(425)	-	-
Closing defined benefit obligation	<u>(12,081)</u>	<u>(11,577)</u>	<u>8,033</u>	<u>9,288</u>	<u>(4,048)</u>	<u>(2,289)</u>

The amounts recognised in the income and expenditure account are as follows:

	30 June 2012 £000	30 June 2011 £000
In staff costs:		
Current service cost	<u>32</u>	<u>200</u>
	<u>32</u>	<u>200</u>
In other expenditure:		
Interest cost	626	585
Expected return on pension scheme assets	(563)	(497)
Net return	<u>63</u>	<u>88</u>
Actual return on pension scheme assets	<u>(1,078)</u>	<u>1,142</u>

# KING'S COLLEGE

## NOTES TO THE ACCOUNTS

Year ended 30 June 2012

### 26. PENSION SCHEMES (CCFPS continued)

The amounts recognised in the statement of total recognised gains and losses are as follows:

	<b>30 June 2012 £000</b>	<b>30 June 2011 £000</b>
Actual return less expected return on scheme assets	(1,641)	645
Experience gains and losses arising on scheme liabilities	(183)	(144)
Changes in assumptions underlying the present value of scheme liabilities	(109)	115
	<u>(1,933)</u>	<u>616</u>

Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses are as follows:

	<b>30 June 2012 £000</b>	<b>30 June 2011 £000</b>
Opening cumulative actuarial loss	(2,307)	(2,923)
Recognised during the year	(1,933)	616
	<u>(4,240)</u>	<u>(2,307)</u>

Amounts for the current and previous four periods are as follows:

	<b>2012 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Defined benefit obligation	(12,081)	(11,577)	(11,140)	(9,710)	(9,422)
Scheme assets	8,033	9,288	8,052	6,930	7,592
	<u>(4,048)</u>	<u>(2,289)</u>	<u>(3,088)</u>	<u>(2,780)</u>	<u>(1,830)</u>
Experience gain/(loss) arising on scheme liabilities	(183)	(144)	301	(250)	(53)
Actual return less expected return on scheme assets	(1,641)	645	446	(1,050)	(923)
Change in assumptions underlying present value of scheme liabilities	(109)	115	(1,239)	432	(16)

## **KING'S COLLEGE**

### **NOTES TO THE ACCOUNTS**

**Year ended 30 June 2012**

#### **27. RELATED PARTY TRANSACTIONS**

As described in the report of the Governing Body, the University provides the majority of the Fellows with their primary employment, teaches jointly and examines the undergraduate students and provides research facilities for the graduate students. The University pays fees to the College from the public money it receives for students who are based in the United Kingdom and the European Union for the College's role in admitting students, teaching them and ensuring their welfare. University tuition fees are billed to students by the College acting as the University's agent, and therefore these amounts (£2.8 million in 2011/12 and £2.78 million in 2010/11) are not included as income of the College in the accounts.

Fellows are remunerated for teaching, research and other duties within the College. Fellows are billed for private catering, not part of the normal allowances. The College offers Fellows assistance with housing on a shared equity basis. If children of Fellows attend the School, Fellows pay fees on the normal terms.

King's College Student Union is paid membership fees (£93,885 in 2011/12 and £82,750 in 2010/11) and provides sporting and social facilities to students. The membership fees are shown in the College Education expenditure in the accounts.