

GONVILLE AND CAIUS COLLEGE



Gonville and Caius College

Cambridge

Trustees' Annual Report and Accounts 2013/14

For the year ended 30 June, 2014



Gonville and Caius College

Cambridge

Trustees' Annual Report and Accounts 2013/14

| | |
|--|----|
| Reference and Administrative Details | 2 |
| Report of the College Council | 3 |
| Independent Auditors' Report to the College Council for the Year Ended 30 June 2014..... | 13 |
| Statement of Principal Accounting Policies for the Year Ended 30 June 2014 | 15 |
| Consolidated Income and Expenditure Account For the Year Ended 30 June 2014..... | 20 |
| Statement of Total Recognised Gains and Losses for the Year Ended 30 June 2014 | 21 |
| Consolidated Balance Sheet as at 30 June 2014..... | 22 |
| Consolidated Cash Flow Statement as at 30 June 2014 | 23 |
| Notes to the Accounts 2013/14..... | 24 |

Reference and Administrative Details

The College of Gonville & Caius in the University of Cambridge comprises the Master, the Fellows and the Scholars. Its registered address is Trinity Street, Cambridge CB2 1TA. The College is a registered charity (Charity Registration Number: 1137536) and is subject to regulation by the Charity Commission for England and Wales. The charity Trustees of the College are the members of the College Council.

Council Members 1 July 2013 – 30 June 2014

| | | |
|------------|---------------|--|
| Ex Officio | Master | Professor Sir Alan Fersht |
| Ex Officio | Senior Bursar | Dr D S Secher |
| Ex Officio | Senior Tutor | Dr D M Holburn |
| | | Dr A G Bell |
| | | Dr R Scurr (elected 11.10.13) |
| | | Professor T J Pedley (resigned 30.4.14) |
| | | Professor J A Todd |
| | | Dr J Ellis |
| | | Professor J D Mollon |
| | | Professor D S H Abulafia (elected 25.4.14) |
| | | Dr V N Bateman |
| | | Dr E L Hunter |
| | | Professor J Whaley |
| | | Professor D S Wright (elected 25.4.14) |

Auditors

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

Legal Advisers

Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

Bankers

Barclays Bank plc
Mortlock House
Histon
Cambridge
CB24 9DE

Investment Advisers

Partners Capital
5 Young Street
London
W8 5EH

Property Managers

Bidwells
Trumpington Road
Cambridge
CB2 2LD

Report of the College Council

Status

Gonville and Caius is one of the oldest and largest Colleges in the University of Cambridge, originally founded in 1348 by Edmund de Gonville and subsequently augmented and re-founded by John Caius in 1557. Today it is an autonomous self-governing community of scholars, home to almost 1,000 undergraduates, graduates and academics who are supported by 140 full time equivalent staff.

The College is constituted under the provisions of the Universities of Oxford and Cambridge Act, 1923 and is a registered charity, number 1137536. These accounts consolidate the operations of the College with its subsidiary Caius Property Services Limited, which undertakes major building development and the management of construction contracts for the College. They are prepared in accordance with the Recommended Cambridge College Accounts or RCCA format.

Aims and Objectives

The College is an institution of Higher Education. Its primary charitable purpose is the pursuit of education, religion, learning and research and its overall objective is to rank amongst the highest achieving academic institutions in the world.

Public Benefit

The College provides, in conjunction with the University of Cambridge, an education for over 800 undergraduate and graduate students that is recognised internationally as being of the highest standard. This education develops students academically and advances their leadership qualities and interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides:

- teaching facilities and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial systems;
- social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College; and
- specialist choral musical education for its choral students who make up the College's renowned choir.

The College advances learning and research through:

- providing an intellectual and social base for over 275 graduate students, as well as offering them studentships, bursaries, financial support and grants for travel and other support relating to their research;
- providing Research Fellowships to outstanding academics at the early stages of their careers, which enables them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post;
- supporting research work pursued by its other Fellows through promoting interaction across disciplines, providing facilities and providing grants for national and international conferences, research trips and research materials;
- encouraging visits from outstanding academics from abroad; and
- encouraging the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

The College maintains an extensive library (including important special collections), providing a valuable resource for students and Fellows of the College, members of other Colleges and the University of Cambridge

more widely, external scholars and researchers, as well as offering a venue for occasional lectures and exhibitions open to the general public.

The College carries forward the requirement, 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 where visitors are welcome during the day; where a variety of religious services take place on weekdays and at weekends during term, details of which are advertised on noticeboards and the website. All regular services in the College Chapel are open to the public and are attended by students and staff from elsewhere in the University as well as local residents and visitors to Cambridge.
- Maintains its outstanding choral tradition, which is integral to the provision of Divine Service in its Chapel, through the College's renowned choir which is formed from the students of the College.
- Supports, through the College Dean, 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 22 parishes (and, in the absence of a Rector of Stockport, as Patron of a further 6 parishes) and Lay Rector of 4 parishes.
- Supports the institution of Caius House Battersea through the appointment of its Trustees (in the gift of the Master) and the involvement of the Dean as a Trustee.

The College admits as students those who have the highest potential for benefiting from the education provided by the College and the University and recruits as academic staff those who are able to contribute most to the academic excellence of the College, regardless of their financial, social, religious or ethnic background:

- there are no geographical restrictions in the College's objects and students and academic staff of the College are drawn from across the UK and internationally;
- there are no age restrictions in the College's objects but students of the College are predominantly between 18 and 24 years old; and
- there are no religious restrictions in the College's objects and members of the College have a wide variety of faith traditions or none.

The focus of the College is strongly academic and students need to satisfy high academic entry requirements. The College works to ensure that no one is barred from attending the College because of financial constraints and provides assistance to many of its students.

- In order to assist undergraduates entitled to Student Support, the College provides through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support for those of limited financial means. That scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement.
- To support the costs of graduate students, the College provides substantial financial support. This includes scholarships to fund fees and living costs and 'top-up' funding to fill funding shortfalls in students' funding packages.
- The College also supports students through a grant scheme to assist with the purchase of books and equipment, attendance at conferences, childcare support and travel grants, as appropriate.
- In addition to its other programmes, the College operates a hardship scheme for all students in financial hardship.

To raise educational aspiration and attract outstanding applicants who might not otherwise have considered applying to Gonville and Caius, the College operates an extensive outreach programme, including visits to schools, visits by schools to the College, open days, a summer school, admissions symposia for teachers as well as guidance and information on the College website for prospective applicants.

Achievements and Performance

Educational activities

Our undergraduates study all the subjects offered in the University and our postgraduates play a key role in the research activities of the wider University. Our Fellows have internationally renowned research expertise ranging from Archaeology to Cosmology and are all recognised as leaders in their fields. The number of undergraduate and graduate students registered with the university on 14 May 2014 was:

| | 2013/14 | 2012/13 |
|---------------|---------|---------|
| Undergraduate | 532 | 537 |
| Postgraduate | 294 | 279 |
| Total | 826 | 816 |

Research activities

Two of the three British Academy medals awarded this year have been won by Caius Fellows. Professor David Abulafia FBA for his book *The Great Sea: A Human History of the Mediterranean* (Penguin) and Dr Noel Malcolm FBA in recognition of his edition of *Thomas Hobbes' Leviathan* (Oxford University Press, 2012). Professor Michael Levitt FRS who won the 2013 Nobel Prize in Chemistry "for the development of multiscale models for complex chemical systems" was elected as an Honorary Fellow, taking the total number of Nobel prizes won by Caians to thirteen. Three Caians were honoured in the 2014 New Year Honours List. Honorary Fellow Dr Noel Malcolm FBA was appointed a Knight Bachelor for services to scholarship, journalism and European history. Professor Peter Ratcliffe FRS has received a knighthood for services to clinical medicine. Mr Marcus Setchell, obstetrician to the Royal Family, has been made Knight Commander of the Royal Victorian Order.

Funding

The principal sources of income of the College are as follows:

- Fees charged for the provision of education to students.
- Members and friends of the College through donations and bequests.
- Investment income from the accumulated endowment.
- Students and Fellows through charges for goods, services and facilities provided.
- Conference customers for goods, services and facilities provided.

Financial Review

The College's financial objective is to ensure that the College's primary educational, religious, learning and research functions are managed cost-effectively and supported by robust and well managed financial resources, which will sustain the enterprise in perpetuity.

The College's consolidated income and expenditure account for the years to 30 June 2013 and 2014 is summarised as follows:

| | 2013/14 £000 | 2012/13 £000 | Change £000 |
|--|-----------------|-----------------|----------------|
| Income from education, accommodation and catering | 7,720 | 7,622 | 98 |
| Expenditure on education, accommodation and catering | (14,436) | (13,555) | 881 |
| Deficit on recurrent activities | (6,716) | (5,933) | 783 |
| Income from endowment | 5,062 | 6,816 | 1,754 |
| Income from unrestricted donations | 2,176 | 1,752 | 424 |
| Other adjustments | (345) | (226) | 119 |
| Net surplus | 177 | 2,409 | 2,232 |

The College continues to rely heavily on its investment income and on donations in order to undertake its charitable activities as is shown by the substantial deficit on recurrent activities.

Academic Fees and Expenditure

Academic fee income has fallen by 5.7%, while the costs of education have risen by 6.0%. The total fee income does not cover the full cost of educational provision and the net cost to the College of providing education has risen from £2,352,000 in 2012/13 to £2,881,000 in 2013/14 as shown in the table below:

| | 2013/14 £000 | 2012/13 £000 | Change £000 |
|-----------------|-----------------|-----------------|----------------|
| Income | 3,138 | 3,327 | 189 |
| Expenditure | (6,019) | (5,679) | 340 |
| Net Cost | (2,881) | (2,352) | 529 |

The amount of funding for each student that was provided by Gonville and Caius College in 2013/14 was £3,488 (2012/13 was £2,882). This is an average covering both undergraduates and graduates with the cost of each undergraduate being considerably more.

The education costs are made up as follows:

| | 2013/14 £000 | 2012/13 £000 |
|------------------------------|-----------------|-----------------|
| Teaching | 2,658 | 2,629 |
| Tutorial and student welfare | 732 | 715 |
| Admissions | 245 | 249 |
| Research | 717 | 643 |
| Scholarships and awards | 1,094 | 842 |
| Other educational facilities | 548 | 573 |
| Other educational expenses | 25 | 28 |
| Totals | 6,019 | 5,679 |

During the year the College appointed four new Research Fellows with three of those commencing their Fellowship during the year. During the year there was a pay settlement for academic staff which resulted in a pay increase of 1% for each post-holder. College staff also received a pay increase in August 2013 which amounted to a 1% increase overall with this being weighted in favour of the lower paid who received more than 1%.

Residences, Catering and Conferences

Our income from residences, catering and conferences amounted to £4,528,000 which was 7% higher than the previous year mainly due to an increase in accommodation fees from College members following a rent review. We have continued to focus on the management of the costs and these have been reduced relative to last year's level. Our income from accommodation and catering from conferences and external events amounted to £661,000 which was similar to last year, but the profit margin has decreased due to more costs being allocated to this area and rising food costs.

Investment Income

The College is dependent upon its investment income to fund many of its activities. The endowment is managed on a total return basis, looking at the increase in capital value of the investments and the actual income. We calculate the amount that it is prudent to spend each year, so that we preserve the purchasing power of the endowment. For the year to 30 June 2014 this was reduced to 4% of the value of investments at 31 March 2013, giving a total of £5,000,000. A further reduction was subsequently agreed to take into account the fact that we received more unrestricted general donations than originally budgeted. The reduction was £1,150,000 meaning that the eventual transfer from capital was £3,850,000 compared with £5,652,000 the previous year.

The format of the accounts means that this is shown across a number of areas but the key figures are summarised below.

| | £000 |
|---|--------------|
| Investment income in the Income and Expenditure account | 5,062 |
| Investment management and administration costs | (1,212) |
| Reduction due to excess in unrestricted donations | 1,150 |
| Total | 5,000 |

The College monitors its expenditure against the expendable amount and aims to achieve a surplus in order that the endowment can be built up to a level that can sustain the College in the future.

Donations

The College is dependent on donations and benefactions to build its endowment and to fund some of its annual activities. This is a crucial source of revenue for us and we are grateful to our historic and current benefactors. We show donations in three places in the accounts:

- Within the Income and Expenditure account we show donations and benefactions that are given to the College for immediate use or for repairs to buildings. These totalled £319,678. Also, within the Income and Expenditure account we show donations which have been given to the College for general purposes. These totalled £1,743,501 meaning that the total in the Income and Expenditure account this year is £2,063,179. The total reported as donations in the Income and Expenditure account is £2,176,483 because this total also includes £113,304 released from the Deferred Capital Grant.
- Within the Statement of Recognised Gains and Losses we show donations and benefactions that are given to us specifically to build the endowment of the College. These amounts are given to us to build the capability and capacity of the College for the long term. The total received during the year was £1,848,106.
- Donations amounting to £1,824,973 were received for the purpose of funding the cost of the refurbishment of the Boathouse and 28 Ferry Path. Previously these donations were shown in restricted funds. Now that this project has full approval and is going ahead a deferred capital grant has been established with the donations received being credited to this grant along with the transfer of all the previously received funds (£482,798). This is shown in Note 18.
- Donations amounting to £5,525 were received for the purpose of funding the cost of the Stephen Hawking Building and these have also been credited to a deferred capital grant with this also being shown in Note 18.

Expenditure

A significant element of the costs of the College is staffing costs, and these costs appear in each category in the Income and Expenditure account. The overall numbers of Fellows and Staff in the College at 30 June were as follows:

| | 30 June 2014 | 30 June 2013 |
|------------------------|--------------|--------------|
| Number of Fellows | 116 | 109 |
| Number of Staff (FTEs) | 140 | 142 |

University Contribution

The University Contribution remains unchanged at £140,000. It is calculated by the University using information provided by the College and while there are a number of elements to the calculation it is principally driven by the value of the investments held by the College.

Capital and Reserves

The College's unrestricted funds excluding the pension fund deficit amount to £131,494,000 and are represented in the balance sheet by the College's operational buildings, which are used for teaching and residential purposes, and by part of the investment portfolio. The deferred capital grants of £7,072,000 relating to the Stephen Hawking Building and the Boathouse project are included within the restricted funds. The restricted endowments amount to £46,777,000, represented by part of the investment portfolio. The total capital and reserves stood at £179,566,000 at 30 June 2014, compared to £170,057,000, which is an increase of 5.6%. Increases have been due to rise in investment values along with the surplus for the year and the receipt of donations specifically to add to our permanent endowment while this has been partially offset by the increase in the deficit on the College's pension schemes.

Investments

The value of the Investments of the College increased from £133,692,000 at the end of last financial year, to £150,953,000 at 30 June 2014. These are shown in the balance sheets split between fixed asset investments and endowment assets. The total return on the investment assets was 8.4% for the year.

The investments are managed by the Investment Committee, in line with an Investment Policy Statement that is approved by the College Council annually. The Investment Committee comprises the Master, the Senior Bursar, six other Fellows of the College and four external members, who are Caians expert in investment management. The Investment Committee reports to College Council. Decisions on investment policy and membership of the Investment Committee are taken by the Council. The financial investments are managed on the advice of Partners Capital Investment Group LLC and the property investments are managed on the advice of Bidwells who are also responsible for the collection of rent.

The properties within the investment assets do not include the operational buildings used to house the College, its Fellows or students.

During the year we completed no further shared equity house purchases with Fellows of the College and one was sold so that the cumulative total reduced from four to three.

The investments comprise:

| | June 14 £000 | June 13 £000 | June 12 £000 | June 11 £000 | June 10 £000 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Return | 8.4% | 9.6% | 4.1% | 12.1% | 15.6% |
| Cash | 9,641 | 7,427 | 5,801 | 6,185 | 4,066 |
| Fixed income | 10,240 | 8,312 | 10,371 | 7,976 | 7,945 |
| Hedge funds | 19,944 | 18,983 | 18,427 | 22,299 | 21,934 |
| Private equity | 14,031 | 16,519 | 18,204 | 19,031 | 16,479 |
| Property | 56,278 | 53,026 | 47,615 | 44,421 | 41,933 |
| Public equity | 26,889 | 21,299 | 17,321 | 17,025 | 15,183 |
| Multi-asset | 8,648 | - | - | - | - |
| Real assets | 5,282 | 8,126 | 4,612 | 6,515 | 6,052 |
| Total Investments | 150,953 | 133,692 | 122,351 | 123,452 | 113,592 |

The College recognises the importance of the active management of its investments to fund its charitable activities. The current market conditions have continued to concern the Investments Committee a great deal over the last year and the Committee has remained fairly pessimistic about the immediate future prospects. This is one of the reasons why the College decided during the year to reduce its expendable amount percentage from 4.25% for 2012/13 to 4% for 2013/14 and then to take the further steps of capping the actual expendable amount at 4% of the endowment value at 31 March 2013, rather than the value generated using the 'Yale Rule' which would have been significantly higher. It has subsequently agreed to reduce the transfer by the excess over and above the budgeted amount of unrestricted general donations and to bring the expendable percentage down to 3.5% for the year ending 30 June 2015. The most significant change in asset allocations was the addition of a multi-asset class with this being in part due to a specific investment decision and in part an investment following on from the College borrowing £10 million via the College Private Placement.

Capital expenditure

The operational buildings form the bulk of the tangible assets heading in the balance sheet. This year's fixed asset additions are higher than usual because they include £2,190,000 relating to the transfer of properties which are used operationally from the investment portfolio to the College's operational balance sheet total. The rest of the capital expenditure relates to refurbishment costs which the College capitalises if the contract sum exceeds £10,000. The total capital, refurbishment and maintenance costs of the College during this year are:

- £1,152,000 shown within the capital expenditure on College buildings ;
- £1,060,000 shown within expenditure in the Income and Expenditure account which includes the salaries of our in-house maintenance team as well as smaller repair contracts.

The College continues to have a substantial forward programme for the refurbishment of the existing buildings. Some of these are being addressed on an on-going basis, for example the roofs and staircases of the Waterhouse building in Tree Court. One major project is due to commence in 2015, the redevelopment of the Boathouse and the adjacent graduate house at 28 Ferry Path; others such as the refurbishment of the College kitchens and St Michael's Court remain at the planning stage.

The larger projects completed during this year were:

- The refurbishment of Newnham Cottage;
- Continued work on the Caius Court roof;

- Improvements to the Caius Court gas supply;
- Refurbishment of the Fellows' guest rooms; and
- External refurbishment of 7 and 8 Harvey Road.

Trusts and Funds of the College

The majority of the donations and benefactions that are given to the College allow the Master and Fellows to determine the best use for the funds. Other funds are given for specific purposes – for example, recent donations have been given for the establishment of the Richard C S Evans Indian Bursary Fund, the Joseph Needham Lectureship Fund, the O'Connell Nogales Bursary Fund as well as a fund for the refurbishment of 28 Ferry Path (part of the Boathouse redevelopment project). The College also has very significant historic funds, for example the Tapp Trust which chiefly supports provision for law students and Fellows. Each of these specific donations is accounted for in separate "restricted funds". The underlying assets are managed in accordance with our overall investment policy, but we keep track of each fund and the associated income so that we ensure that donors' wishes are adhered to.

Principal Risks and Uncertainties

The College Council considers matters of risk on a regular basis through its committees and sub-committees, e.g. Health and Safety and Security. Since the flood damage incident in August 2012 the College has begun a process which will lead to the creation of a business interruption plan. A consultant has been working with the College and this process is now well advanced but not complete.

Future Developments

Gonville and Caius College is fortunate in being a relatively well endowed College and we have the benefit of a very active fundraising team, and a committed investment committee. However the whole higher education sector has entered a period of extreme uncertainty with cuts in public spending and a fundamental change in funding from the academic year 2012-2013, shifting the balance away from government support and towards increased student tuition fees. In Cambridge this has led to the renegotiation of the "College fee", the mechanism for distributing part of the University's fee income to colleges. In conjunction with these changes, new requirements are being placed on universities and colleges to spend more on access and widening participation. The medium and long term impact of all this on student academic choices and recruitment is still hard to predict, but as a Cambridge College we hope we are more insulated than many other higher education establishments.

It is still to some extent unclear how all these changes will affect the finances of the College as the implementation is gradual and there still considerable uncertainty regarding funding for Graduate students but the College's working assumption is that in future we will have to make a still higher contribution to our education provision. Subject to the outcome of these considerations, the College sees the key challenges as:

- maintaining the high levels of teaching, one to one or in small groups, that are core to the educational experience offered by Cambridge University and Gonville and Caius College;
- continuing to attract qualified students from the widest possible range of backgrounds and providing them with adequate support through good bursary schemes to enable them to study without the distraction of financial concerns;
- strengthening the College's support for graduate study and for research;
- attracting and retaining an active Fellowship that is committed to excellence in research and teaching, in a global marketplace for academic talent;
- maintaining our beautiful historic and modern buildings and upgrading them to meet the requirements and aspirations of our students and the current health and safety standards and modern IT requirements.

Corporate Governance

The following statement is provided by the College 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.

The College is a registered charity (registered number 1137536) and subject to regulation by the Charity Commission for England and Wales. The members of the College Council are the charity trustees and are responsible for ensuring compliance with charity law.

The College Council is advised in carrying out its duties by six main committees:

Development Committee

Domestic and Catering Committee

Education and Research Committee

Finance Committee

Investments Committee

Works and Accommodation Committee

The principal officers of the College are the Master, the Senior Tutor, the Senior Bursar, the Development Director, the Registry and the Domestic Bursar.

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; to advise the College Council on the appointment of external auditors; to consider reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; and to make an annual report to the College Council. Membership of the Finance Committee includes the Master, the Senior Bursar, the Domestic Bursar, a Tutor, the Development Director and five fellows with appropriate skills and experience, including at least one Professorial Fellow and two teaching fellows.

The composition of the College Council during the year ended 30 June 2014 is set out on page 2.

Statement of Internal Control

The College 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 is responsible, in accordance with the College's Statutes.

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.

The system 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 2014 and continues.

The College Council is responsible for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the various Committees, the Senior Bursar and the College officers, 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

The College Council is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College Statutes and the Statutes and Ordinances of the University of Cambridge require the College Council to prepare financial statements 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 these financial statements, the College Council is required to:

- select suitable accounting policies and then 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 College Council is responsible for keeping accounting records that disclose, with reasonable accuracy at any time, the financial position of the College and ensure that the financial statements comply with the Statutes of the University of Cambridge. The College Council is 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.

The College Council is responsible for the maintenance and integrity of the corporate and financial information included on the College’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the College Council

Sir Alan Fersht



..... Dated 26 November 2014

Independent Auditors' Report to the College Council for the Year Ended 30 June 2014

We have audited the financial statements of Gonville and Caius College for the year ended 30 June 2014 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College Council, as a body, in accordance with College's Statutes, the Statutes of the University of Cambridge and with section 151 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the College Council 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the College Council and auditors

As explained more fully in the College Council's Responsibilities Statement set out on page 11, the College Council is 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 154 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 College Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review and the Corporate Governance and Public Benefit Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the College's affairs as at 30 June 2014 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.

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 College Council's Annual Report 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

5th December 2014

Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Principal Accounting Policies for the Year Ended 30 June 2014

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 8.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments which are included at valuation.

Basis of Consolidation

The consolidated financial statements include the College and one of its subsidiary undertakings, Caius Property Services Ltd. Intra-group transactions are eliminated on consolidation. A separate balance sheet and related notes for the College only are not included because Caius Property Services Ltd is a design and build company and the balance sheet of the College would not be materially different to the one included in the accounts. The other subsidiary undertaking, Budworth Development Ltd, was only incorporated on 18 March 2014 and as yet there have been no financial transactions. Details of the subsidiaries are set out in Note 27.

The Consolidated Financial Statements do not include the activities of student societies as these are separate bodies in which the College has no financial interest and over whose policy decisions it has no control.

Recognition of Income

Academic Fees

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

Restricted grant income

Grants for restricted purposes are recognised as income to the extent that relevant expenditure has been incurred.

Income from research grants

Income from research grants 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

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. 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.

Other income

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

Total return basis of accounting

The college invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the "total return" concept. The endowment spending policy is specifically designed to stabilise annual spending levels and to preserve the real value of the endowment portfolio over time. The spending policy attempts to achieve these two objectives by using a long-term targeted spending rate combined with a smoothing rule, which adjusts spending gradually to changes in the endowment market value.

Endowment Income

Where the spending power of restricted endowments is not utilised, this is transferred from the income and expenditure account to restricted endowments.

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.

Tangible Fixed Assets

a. Buildings

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 depreciated.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and are 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.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

b. Maintenance of premises

The College has an estate strategy and a five year rolling maintenance plan which are reviewed on an annual basis. The cost of routine maintenance is charged to the income and expenditure account as it is incurred.

The cost of refurbishment is capitalised and depreciated over the expected useful economic life with a £10,000 limit applied for capitalisation.

c. Equipment

Furniture, fittings and equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other assets are capitalised and depreciated over the expected useful lives of the assets, which are as follows:

| | |
|--------------------------------------|----------|
| Major equipment and software | 5 years |
| Furniture and fittings | 10 years |
| Computer equipment | 3 years |
| Motor vehicles and general 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. Leased assets

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 excesses 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 amounts over the periods of the leases.

e. Heritage assets

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets), heritage assets acquired before 1 July 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 July 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Investments

Securities

Securities are shown at their market value. For listed investments this is the middle market quotation ruling at the close of business on 30 June. Overseas investments are translated into sterling at the rates of exchange ruling at that date. 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.

Properties

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the investment revaluation reserve, where properties are held by the college, or credited to restricted funds, where a restricted fund holds property.

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:

- 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.
- 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.
- 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 that donated sum into income, the fund is classified as a restricted expendable endowment.

Taxation

The College is a registered charity (number 1137536) 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 advised to the College by the University based on an assessable amount derived from the value of the College's assets at the end of the previous financial year.

Pension Schemes

The College pays contributions to three 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. In addition the Colleges administers a closed Old Non Contributory Scheme, which is recorded separately in the College balance sheet.

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 (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

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. 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 staff costs. The expected return on assets less the interest costs is shown as a net amount as part of interest income or costs. 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 other net assets on the face of the balance sheet.

Church of England Funded Pensions Scheme

The College also participates in the Church of England Funded Pensions Scheme and employs one member of the scheme out of a total membership of approximately 10,000 active members. The assets of the scheme are held in a separate trustee administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

Staff Pension Fund

The College runs a defined benefit scheme, funded by the College, which is closed to new members. Benefit payments are accounted for when payments are made.

Consolidated Income and Expenditure Account For the Year Ended 30 June 2014

| Income | Note | 2014 £ | 2013 £ |
|---|------|-------------------|-------------------|
| Academic fees and charges | 1 | 3,138,157 | 3,326,683 |
| Residences, catering and conferences | 2 | 4,528,381 | 4,237,890 |
| Endowment income | 3 | 5,062,108 | 6,815,951 |
| Donations | 4 | 2,176,483 | 1,983,640 |
| Other Income | | 53,894 | 57,914 |
| Total income | | 14,959,023 | 16,422,078 |
| Expenditure | | | |
| Education | 5 | 6,019,321 | 5,678,734 |
| Residences, catering and conferences | 6 | 5,648,721 | 5,779,167 |
| Other expenditure | 7 | 2,767,900 | 2,097,275 |
| Total expenditure | | 14,435,942 | 13,555,176 |
| Surplus on continuing operations before Contribution under Statute G, II | | 523,081 | 2,866,902 |
| Contribution under Statute G, II | | (140,000) | (140,000) |
| Surplus on continuing operations after Contribution under Statute G, II | | 383,081 | 2,726,902 |
| Surplus for year transferred to accumulated income in endowment (Trust) funds | 19 | (206,321) | (318,388) |
| Surplus for the year retained within general reserves | | 176,760 | 2,408,514 |

All activities of the College are classed as continuing

The notes on pages 24 to 46 form part of these accounts

Statement of Total Recognised Gains and Losses for the Year Ended 30 June 2014

| | | | | 2014 | 2013 |
|--|-------------|--------------------------|----------------------------|--------------------|--------------------|
| | <i>Note</i> | Restricted Funds £ | Unrestricted Funds £ | Total funds £ | Total funds £ |
| Surplus on income and expenditure account | | - | 176,760 | 176,760 | 2,408,514 |
| Unspent endowment (Trust) fund income | | 206,321 | - | 206,321 | 318,388 |
| Increase in market value of investments | | | | | |
| Endowment assets | 19 | 480,247 | - | 480,247 | 2,463,341 |
| Fixed asset investments | 20 | - | 6,008,328 | 6,008,328 | 4,182,756 |
| Transfer to deferred capital grants | 18, 19 | (482,798) | - | (482,798) | - |
| New endowments | 19 | 1,848,106 | - | 1,848,106 | 1,977,996 |
| Actuarial (loss) in respect of pension schemes | 17, 26 | - | (927,620) | (927,620) | (1,008,527) |
| Total recognised gains for the year | | 2,051,876 | 5,257,468 | 7,309,344 | 10,342,468 |
| Reconciliation | | | | | |
| Opening reserves and endowments | | 44,725,545 | 120,459,085 | 165,184,630 | 154,842,162 |
| Total recognised gains for the year | | 2,051,876 | 5,257,468 | 7,309,344 | 10,342,468 |
| Balance carried forward 30 June 2014 | | 46,777,421 | 125,716,553 | 172,493,974 | 165,184,630 |

The notes on pages 24 to 46 form part of these accounts

Consolidated Balance Sheet as at 30 June 2014

| | <i>Note</i> | 2014 | 2013 | | |
|--|-------------|---------------------------|----------------------------|---------------------------|---------------------------|
| | | £ | £ | | |
| Fixed Assets | | | | | |
| Tangible assets | 10 | 47,269,935 | 45,276,298 | | |
| Investment assets | 11 | 104,175,418 | 88,966,755 | | |
| | | <u>151,445,353</u> | <u>134,243,053</u> | | |
| Endowment assets | 12 | 46,777,421 | 44,725,545 | | |
| Current Assets | | | | | |
| Stock | | 536,060 | 534,809 | | |
| Debtors | 13 | 1,930,767 | 1,029,285 | | |
| Cash | 14 | 2,524 | 1,388 | | |
| | | <u>2,469,351</u> | <u>1,565,482</u> | | |
| Creditors: amounts falling due within one year | 15 | <u>(2,148,747)</u> | <u>(2,419,897)</u> | | |
| Net Current assets /(liabilities) | | 320,604 | (854,415) | | |
| Creditors: amounts falling due after more than one year | 16 | <u>(13,200,000)</u> | <u>(3,360,000)</u> | | |
| Net assets excluding pension liability | | 185,343,378 | 174,754,183 | | |
| Net pension liability | 17 | <u>(5,777,345)</u> | <u>(4,697,486)</u> | | |
| Net assets | | <u>179,566,033</u> | <u>170,056,697</u> | | |
| Represented by | | Restricted funds | Un-restricted funds | 2014 Total | 2013 Total |
| | | £ | £ | £ | £ |
| Deferred capital grants | 18 | <u>7,072,059</u> | - | <u>7,072,059</u> | <u>4,872,067</u> |
| Endowments | | | | | |
| Expendable endowments | 19 | 11,897 | | 11,897 | 9,729,484 |
| Permanent endowments | 19 | <u>46,765,524</u> | - | <u>46,765,524</u> | <u>34,996,061</u> |
| | | 46,777,421 | - | 46,777,421 | 44,725,545 |
| Reserves | | | | | |
| General reserves excluding pension reserve | 20 | - | 131,493,898 | 131,493,898 | 125,156,571 |
| Pension reserve | 20 | - | <u>(5,777,345)</u> | <u>(5,777,345)</u> | <u>(4,697,486)</u> |
| | | - | <u>125,716,553</u> | <u>125,716,553</u> | <u>120,459,085</u> |
| TOTAL | | <u>53,849,480</u> | <u>125,716,553</u> | <u>179,566,033</u> | <u>170,056,697</u> |

Approved by the College Council on 26 November 2014 and signed on their behalf by Dr David Secher, Senior Bursar

The notes on pages 24 to 46 form part of these accounts



Consolidated Cash Flow Statement as at 30 June 2014

| | <i>Note</i> | 2014 £ | 2013 £ |
|---|-------------|--------------------|------------------|
| Net cash (outflow) from operating activities | 22 | (4,078,500) | (2,417,542) |
| Returns on investments and servicing of finance | 23 | 2,336,723 | 2,465,626 |
| Capital expenditure and financial investment | 23 | (5,919,099) | 1,649,722 |
| Financing | | | |
| Other loans | 23 | 10,000,000 | - |
| Repayment of long-term loan | 23 | (160,000) | (160,000) |
| Increase in cash in year | | <u>2,179,124</u> | <u>1,537,806</u> |
| Reconciliation in net cash flow to movement in net funds | | | |
| Cash inflow | | 2,179,124 | 1,537,806 |
| Movement in long-term loans | | <u>(9,840,000)</u> | <u>160,000</u> |
| Net change in debt | 24 | <u>(7,660,876)</u> | <u>1,697,806</u> |
| Net funds at beginning of year | 24 | 3,817,746 | 2,119,940 |
| Net funds at end of year | 24 | <u>(3,843,130)</u> | <u>3,817,746</u> |

The notes on pages 24 to 46 form part of these accounts

Notes to the Accounts 2013/14

| 1 Academic fees and charges | Per capita fee | 2014 | 2013 |
|---|-----------------------|-------------------------|-------------------------|
| | | £ | £ |
| Fee income paid on behalf of undergraduates at the old publicly-funded undergraduate rate | £4,068 | 933,588 | 1,520,379 |
| Fee income paid on behalf of Undergraduates at the new publicly-Funded undergraduate rate | £4,500 | 1,283,625 | 582,750 |
| Privately funded undergraduate fee income | £6,034 | 202,262 | 353,419 |
| Fee income received at the graduate fee rate | £2,424 | 441,210 | 581,139 |
| | | <u>2,860,685</u> | <u>3,037,687</u> |
| Income from the Newton Trust for Bursaries | | 261,045 | 271,899 |
| Other income | | 16,427 | 17,097 |
| Total | | <u><u>3,138,157</u></u> | <u><u>3,326,683</u></u> |

| 2 Income from residences, catering and conferences | | 2014 | 2013 |
|---|-----------------|-------------------------|-------------------------|
| | | £ | £ |
| Accommodation | College members | 3,054,469 | 2,772,480 |
| | Conferences | 289,304 | 283,541 |
| Catering | College members | 812,838 | 810,549 |
| | Conferences | 371,770 | 371,320 |
| Total | | <u><u>4,528,381</u></u> | <u><u>4,237,890</u></u> |

3 Endowment and Investment income**3a Summary of Total Return**

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | £ | £ |
| Income from: | | |
| Land and buildings | 2,693,858 | 2,580,037 |
| Quoted and other securities and cash | 75,705 | 22,287 |
| Gains on endowment assets: | | |
| Land and buildings | 5,393,609 | 3,564,948 |
| Quoted and other securities and cash | 3,387,511 | 7,294,775 |
| Development Office costs | - | (518,193) |
| Investment Management costs | <u>(1,211,864)</u> | <u>(645,758)</u> |
| Total Return for year | <u>10,338,819</u> | <u>12,298,096</u> |
| Total Return transferred to Income and Expenditure Account | (5,062,108) | (6,815,951) |
| Investment management costs (see note 3b) | 1,211,864 | 645,758 |
| Development Office costs | - | 518,193 |
| Total return expendable amount | <u>(3,850,244)</u> | <u>(5,652,000)</u> |
| Unapplied Total Return for Year included within Statement of Total Recognised Gains and Losses (see note 21) | <u>6,488,575</u> | <u>6,646,096</u> |

3b Investment management costs

| | 2014 | 2013 |
|--------------------|------------------|----------------|
| | £ | £ |
| Land and buildings | 655,864 | 387,482 |
| Other investments | 556,000 | 258,276 |
| Total | <u>1,211,864</u> | <u>645,758</u> |

4 Donations

| | 2014 | 2013 |
|--|------------------|------------------|
| | £ | £ |
| Unrestricted donations | 2,063,179 | 1,752,339 |
| Released from deferred capital grant (see note 18) | 113,304 | 231,301 |
| Total | <u>2,176,483</u> | <u>1,983,640</u> |

| 5 Education Expenditure | 2014 | 2013 |
|--------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Teaching | 2,657,927 | 2,629,050 |
| Tutorial | 731,968 | 714,697 |
| Admissions | 244,831 | 248,655 |
| Research | 717,363 | 643,636 |
| Scholarships and awards | 1,093,787 | 841,955 |
| Other educational facilities | 547,773 | 572,809 |
| Other educational expenses | 25,672 | 27,932 |
| Total | <u>6,019,321</u> | <u>5,678,734</u> |

| 6 Residences, Catering and Conferences Expenditure | 2014 | 2013 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Residential accommodation: College members | 4,063,592 | 4,212,780 |
| Conferences | 202,983 | 202,810 |
| Catering: College members | 1,036,492 | 1,063,855 |
| Conferences | 345,654 | 299,722 |
| Total | <u>5,648,721</u> | <u>5,779,167</u> |

| 7 Other Expenditure | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Investment management and administration | 948,422 | 645,758 |
| Interest | 422,826 | 167,091 |
| Other general and administrative | 1,396,652 | 1,284,426 |
| Total | <u>2,767,900</u> | <u>2,097,275</u> |

8a Analysis of 2013/2014 Expenditure by Activity

| | Staff costs | Other | Depreciation | Total |
|---|-------------------------|-------------------------|-------------------------|--------------------------|
| | (Note 9) | Operating | (Note 10) | |
| | £ | Expenses | £ | £ |
| Education (note 5) | 2,847,906 | 2,876,058 | 295,357 | 6,019,321 |
| Residences, catering and conferences (note 6) | 2,956,787 | 1,640,944 | 1,050,990 | 5,648,721 |
| Other (note 7) | 493,106 | 2,272,797 | 1,997 | 2,767,900 |
| | <u>6,297,799</u> | <u>6,789,799</u> | <u>1,348,344</u> | <u>14,435,942</u> |

Expenditure includes fundraising costs of £635,134. This expenditure includes the costs of alumni relations.

8b Analysis of 2012/2013 Expenditure by Activity

| | Staff costs (Note 9) £ | Other Operating Expenses £ | Depreciation (Note 10) £ | Total £ |
|---|------------------------------|-------------------------------------|--------------------------------|-------------------|
| Education (note 5) | 2,730,041 | 2,679,847 | 268,846 | 5,678,734 |
| Residences, catering and conferences (note 6) | 2,891,319 | 1,876,783 | 1,011,065 | 5,779,167 |
| Other (note 7) | 444,206 | 1,646,413 | 6,656 | 2,097,275 |
| | <u>6,065,566</u> | <u>6,203,043</u> | <u>1,286,567</u> | <u>13,555,176</u> |

Expenditure includes fundraising costs of £518,193. This expenditure includes the costs of alumni relations.

8c Auditors' remuneration

| | 2014 £ | 2013 £ |
|---|---------------|---------------|
| Other operating expenses include: | | |
| Audit fees payable to the College's external auditors | 26,600 | 25,200 |
| Other fees payable to the College's external auditors | 9,300 | 15,392 |
| Total | <u>35,900</u> | <u>40,592</u> |

9 Staff

| | College Fellows £ | Non- academic £ | Total 2014 £ | Total 2013 £ |
|----------------------------------|-------------------------|-----------------------|--------------------|--------------------|
| Emoluments (including non-staff) | 1,664,609 | 3,571,467 | 5,236,076 | 5,059,804 |
| Social security costs | 163,343 | 218,951 | 382,294 | 377,193 |
| Other pension costs | 272,643 | 406,786 | 679,429 | 628,569 |
| | <u>2,100,595</u> | <u>4,197,204</u> | <u>6,297,799</u> | <u>6,065,566</u> |

Staff In post at 30 June

| | College Fellows | Non- academic | Total 2014 | Total 2013 |
|--|--------------------|------------------|---------------|---------------|
| Academic (number of stipendiary staff) | 75 | | 75 | 69 |
| Non-Academic (Staff – Full-Time Equivalents) | | 140 | 140 | 142 |
| | <u>75</u> | <u>140</u> | <u>215</u> | <u>211</u> |

The College Council comprises the Master and 12 Fellows (2013: 11) of which 12 Fellows (2013: 9) are stipendiary.

One officer of the College received emoluments of over £100,000.

During the year, emoluments paid to Trustees in their capacity as College Fellows was £393,466 (2013: £395,084). The Trustees receive no emoluments in their capacity as Trustees of the College.

10 Fixed Assets

| | College Buildings and Site | Assets in construction | Furniture & Equipment | Heritage assets | Total 2014 | Total 2013 |
|--------------------------------|---|-----------------------------------|--------------------------------------|----------------------------|-----------------------|-----------------------|
| | £ | £ | £ | £ | £ | £ |
| Cost/Valuation | | | | | | |
| At beginning of year | 54,499,033 | 224,655 | 1,376,969 | 75,059 | 56,175,716 | 54,867,496 |
| Additions | 3,136,588 | 131,101 | 74,293 | - | 3,341,982 | 1,457,777 |
| Disposals at cost/valuation | (5,269) | - | (160,873) | - | (166,142) | (149,557) |
| At end of year | 57,630,352 | 355,756 | 1,290,390 | 75,059 | 59,351,556 | 56,175,716 |
| Depreciation | | | | | | |
| At beginning of year | 10,025,977 | - | 873,442 | - | 10,899,419 | 9,762,408 |
| Charge for the year | 1,155,933 | - | 192,411 | - | 1,348,344 | 1,286,568 |
| Eliminated on disposal | (5,269) | - | (160,873) | - | (166,142) | (149,557) |
| At end of year | 11,176,641 | - | 904,980 | - | 12,081,621 | 10,899,419 |
| Net book value | | | | | | |
| At end of year | 46,453,711 | 355,756 | 385,409 | 75,059 | 47,269,935 | 45,276,297 |
| At beginning of year | 44,473,056 | 224,655 | 503,527 | 75,059 | 45,276,297 | 45,105,088 |

The insured value for rebuilding of freehold operational buildings (excluding investments assets) at 30 June 2014 is £184,104,140, unchanged from the 2013 total.

Heritage assets

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. As stated in the principal accounting policies, heritage assets acquired since 1999 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.

No heritage assets were acquired during the year.

11 Fixed Asset Investments

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | £ | £ |
| Balance at beginning of year | 133,692,300 | 122,351,323 |
| Additions | 34,888,367 | 20,496,801 |
| Disposals | (28,632,646) | (21,611,342) |
| Appreciation | 8,781,120 | 10,859,723 |
| Increase in cash balances held by fund managers | 2,223,698 | 1,595,795 |
| Balance at end of year | <u>150,952,839</u> | <u>133,692,300</u> |

| | 2014 | 2013 |
|------------------------|--------------------|--------------------|
| | £ | £ |
| Represented by: | | |
| Cash | 9,640,718 | 7,427,034 |
| Fixed income | 10,240,242 | 8,311,622 |
| Absolute return | 11,047,288 | 12,407,809 |
| Hedged equities | 8,896,955 | 6,575,944 |
| Private equity | 14,030,976 | 16,518,843 |
| Property | 56,277,557 | 53,026,050 |
| Public equities | 26,888,867 | 21,299,333 |
| Multi-Asset Class | 8,648,441 | - |
| Real assets | 5,281,795 | 8,125,665 |
| Total | <u>150,952,839</u> | <u>133,692,300</u> |

| | 2014 | 2013 |
|--------------------------------|--------------------|-------------------|
| | £ | £ |
| Reported in the accounts as | | |
| Fixed asset investment assets: | | |
| Property | 54,647,557 | 51,516,050 |
| Other investments | 49,527,861 | 37,450,705 |
| Total | <u>104,175,418</u> | <u>88,966,755</u> |
| Endowment investment assets: | | |
| Property | 1,630,000 | 1,510,000 |
| Other investments | 45,147,421 | 43,215,545 |
| Total | <u>46,777,421</u> | <u>44,725,545</u> |

| 12 Endowment assets | 2014 | 2013 |
|-----------------------------------|-------------------|-------------------|
| | £ | £ |
| Cash | 4,597,330 | 3,978,905 |
| Fixed income | 4,883,223 | 4,452,807 |
| Absolute return | 5,268,076 | 6,647,268 |
| Hedged equities | 4,242,655 | 3,522,948 |
| Private equity | 6,690,895 | 8,849,684 |
| Property | 1,630,000 | 1,510,000 |
| Public equities | 12,822,387 | 11,410,749 |
| Multi-asset class | 4,124,147 | - |
| Real assets | <u>2,518,708</u> | <u>4,353,184</u> |
| Total endowment investment assets | <u>46,777,421</u> | <u>44,725,545</u> |

| 13 Debtors | 2014 | 2013 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Members of the College | 242,473 | 274,137 |
| Commercial rents | 556 | 1,477 |
| Donations | 1,540,761 | 425,076 |
| Other debtors | 81,337 | 306,010 |
| Prepayments and accrued income | <u>65,640</u> | <u>22,585</u> |
| | <u>1,930,767</u> | <u>1,029,285</u> |

| 14 Cash | 2014 | 2013 |
|------------------|--------------|--------------|
| | £ | £ |
| Current accounts | - | - |
| Cash in hand | <u>2,524</u> | <u>1,388</u> |
| | <u>2,524</u> | <u>1,388</u> |

| 15 Creditors: Amounts falling due within one year | 2014 | 2013 |
|--|------------------|------------------|
| | £ | £ |
| Due to tradesmen and others | 983,116 | 798,966 |
| Bank loan due for repayment within a year | 160,000 | 160,000 |
| Bank overdraft | 126,371 | 90,676 |
| Members of the College | 302,755 | 308,081 |
| University fees | 35,547 | 503,633 |
| Commercial Rent deferred income | 357,958 | 380,173 |
| Contribution to Colleges Fund | 140,000 | 140,000 |
| Other accruals and deferred income | <u>43,000</u> | <u>38,368</u> |
| | <u>2,148,747</u> | <u>2,419,897</u> |

**16 Creditors: Amounts falling
after one year**

| | 2014 | 2013 |
|-------------|--------------------------|-------------------------|
| | £ | £ |
| Bank loan | 3,200,000 | 3,360,000 |
| Other loans | <u>10,000,000</u> | <u>-</u> |
| | <u><u>13,200,000</u></u> | <u><u>3,360,000</u></u> |

During 2014 the College borrowed from institutional investors, collectively with other Colleges, the College's share being £10 million. The loans were made in two stages, are unsecured and repayable during the period 2042-2053, and are at fixed interest rates of 4.4% for the first part and 4.45% for the second. Although issued through a funding vehicle, the College has no responsibility for the obligations of any of the other issuing Colleges. In addition the College has an existing unsecured bank loan which is repayable over a period of 21 years, at a fixed rate of 4.59%.

17 Pension liabilities**Year to 30 June 2014**

| | CCFPS | Other | Total |
|---|--------------------|------------------|--------------------|
| | £ | £ | £ |
| Balance at beginning of year | (4,193,155) | (504,331) | (4,697,486) |
| Movement in year: | | | |
| Current service cost including life assurance | (304,953) | - | (304,953) |
| Contributions | 171,460 | 61,198 | 232,658 |
| Other finance (cost) | (56,744) | (23,200) | (79,944) |
| Actuarial (loss) recognised in statement of total recognised gains and losses | (911,752) | (15,868) | (927,620) |
| Balance at end of year | <u>(5,295,144)</u> | <u>(482,201)</u> | <u>(5,777,345)</u> |

Year to 30 June 2013

| | CCFPS | Other | Total |
|---|--------------------|------------------|--------------------|
| | £ | £ | £ |
| Balance at beginning of year | (3,117,182) | (523,370) | (3,640,552) |
| Movement in year: | | | |
| Current service cost including life assurance | (289,436) | - | (289,436) |
| Contributions | 278,141 | 62,108 | 340,249 |
| Other finance (cost) | (74,622) | (24,598) | (99,220) |
| Actuarial (loss) recognised in statement of total recognised gains and losses | (990,056) | (18,471) | (1,008,527) |
| Balance at end of year | <u>(4,193,155)</u> | <u>(504,331)</u> | <u>(4,697,486)</u> |

18 Deferred capital grants (buildings)

| | 2014 | 2013 |
|--|------------------|------------------|
| | £ | £ |
| Balance at beginning of year: | 4,872,067 | 5,088,064 |
| Donations received | 1,830,498 | 15,304 |
| Transferred from restricted funds | 482,798 | - |
| Released to income and expenditure account | (113,304) | (231,301) |
| Balance at end of year | <u>7,072,059</u> | <u>4,872,067</u> |

| 19 Endowments | Restricted Permanent | Restricted Expendable | Total 2014 | Total 2013 |
|--|-------------------------|--------------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Balance at beginning of year: | | | | |
| Capital | 34,996,061 | - | 34,996,061 | 31,254,016 |
| Unspent income | - | 9,729,484 | 9,729,484 | 8,711,804 |
| | <u>34,996,061</u> | <u>9,729,484</u> | <u>44,725,545</u> | <u>39,965,820</u> |
| New endowments received | 1,848,106 | - | 1,848,106 | 1,977,996 |
| Transfers from expendable to permanent | 9,698,413 | (9,698,413) | - | - |
| Transfers to deferred capital grants | (482,798) | - | (482,798) | - |
| Income receivable from endowment asset investments | 1,653,486 | 1,162 | 1,654,648 | 1,846,214 |
| Expenditure | (1,427,705) | (20,622) | (1,448,327) | (1,527,826) |
| Net transfer from income and expenditure account | 225,781 | (19,460) | 206,321 | 318,388 |
| Increase in market value of investments | 479,961 | 286 | 480,247 | 2,463,341 |
| Balance at end of year | <u>46,765,524</u> | <u>11,897</u> | <u>46,777,421</u> | <u>44,725,545</u> |
| Comprising: | | | | |
| Capital | 44,902,165 | - | 44,902,165 | 34,996,061 |
| Unspent income | 1,863,359 | 11,897 | 1,875,256 | 9,729,484 |
| Balance at end of year | <u>46,765,524</u> | <u>11,897</u> | <u>46,777,421</u> | <u>44,725,545</u> |
| Representing: | | | | |
| Fellowship, Scholarship and Studentship Funds | 37,599,061 | - | 37,599,061 | 36,065,654 |
| Prizes Funds | 633,507 | - | 633,507 | 608,276 |
| Bursaries, Hardship and Travel Funds | 4,174,103 | 11,897 | 4,186,000 | 3,282,256 |
| General and Other Trust Funds | 4,358,853 | - | 4,358,853 | 4,769,359 |
| Total | <u>46,765,524</u> | <u>11,897</u> | <u>46,777,421</u> | <u>44,725,545</u> |

| 20 General Reserves | Total 2014 £ | Total 2013 £ |
|---|-----------------------------|-----------------------------|
| Balance at beginning of year: | 120,459,085 | 114,876,342 |
| Surplus retained for the year | 176,760 | 2,408,514 |
| Actuarial (loss) | (927,620) | (1,008,527) |
| Increase in market value of investments | 6,008,328 | 4,182,756 |
| Balance at end of year | <u>125,716,553</u> | <u>120,459,085</u> |

Policy on Management of Reserves

The College has a policy of allowing expenditure to be funded from its long term investment portfolio on a Total Return basis and in 2005 secured the necessary change to its Statutes to enable this. Each year it takes external advice and determines the amount which may prudently be spent in the current year, consistent with the objective of maintaining the real purchasing power of the portfolio over the long term. Historically the 'Yale Rule' has been used to calculate the expendable amount. This takes 70% of the expenditure in the previous year, uplifted by inflation, plus 30% of the endowment at the beginning of the year at an agreed spend rate. The latter was 4.5% between 2006 and 2012 and 4.25% in 2012/13. For the year ended 30 June 2014, the College Council capped the actual expendable amount at 4% of the endowment value at 31 March 2013, rather than the value generated using the 'Yale Rule,' which would have been significantly higher.

Investment management costs are also borne out of the endowment, rather than as part of recurring expenditure. In previous years the cost of fund-raising to increase the College's endowment was treated in the same way but this was discontinued for 2013/14.

The College Council has also determined that from 2013/14 onwards the eventual transfer from capital should also be reduced by any excess in unrestricted donations over and above the amount budgeted.

A significant portion of the College's investments are held for restricted funds, as shown above. To the extent that restricted funds have not spent the whole of the prudently expendable amount on the total return basis, a transfer is made to carry the difference forward, thereby removing the relevant portion of the overall Total Return transfer. This transfer was £206,321 for the period.

21 Memorandum of Unapplied Total Return

Included within reserves the following amounts represent the Unapplied Total Return of the College:

| | <i>Note</i> | 2014 £ | 2013 £ |
|---|-------------|-------------------|-------------------|
| Unapplied Total Return at beginning of year | | 36,339,289 | 29,693,193 |
| Unapplied Total Return for the year | <i>3a</i> | 6,488,575 | 6,646,096 |
| Unapplied Total Return at end of year | | <u>42,827,864</u> | <u>36,339,289</u> |

| | | |
|---|--------------------|--------------------|
| 22 Reconciliation of consolidated operating surplus to net cash inflow from operating activities | 2014 | 2013 |
| | £ | £ |
| Surplus on continuing operations | 383,081 | 2,726,902 |
| Depreciation of tangible fixed assets | 1,348,344 | 1,286,567 |
| Deferred capital grants released to income | (113,304) | (231,301) |
| Investment income | (5,062,108) | (6,815,951) |
| Interest payable | 422,826 | 167,091 |
| Pension costs less contribution payable | 152,239 | 48,407 |
| | | |
| (Increase)/ decrease in stocks | (1,251) | 30,364 |
| (Increase)/ decrease in debtors | (901,482) | 392,174 |
| (Decrease) in creditors | (306,845) | (21,795) |
| | | |
| Net cash (outflow) from operating activities | (4,078,500) | (2,417,542) |
| | | |
| 23 Cash flows | 2014 | 2013 |
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Endowment and investment income received | 2,769,563 | 2,602,324 |
| (Losses) on investment cash balances | (10,014) | 30,393 |
| Interest paid | (422,826) | (167,091) |
| | | |
| Net cash inflow from returns on income and servicing of finance | 2,336,723 | 2,465,626 |
| | | |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (3,341,982) | (1,457,777) |
| Donations for buildings and other deferred capital grants received | 1,830,498 | 15,304 |
| Net purchase of long-term investments | (6,255,721) | 1,114,199 |
| New endowments received | 1,848,106 | 1,977,996 |
| | | |
| Net cash (outflow)/inflow from capital expenditure and financial investment | (5,919,099) | 1,649,722 |
| | | |
| Financing | | |
| Other loans | 10,000,000 | - |
| Repayment of long-term loan | (160,000) | (160,000) |
| | | |
| Net cash inflow/(outflow) from financing | 9,840,000 | (160,000) |

24 Analysis of cash and bank balances

| | At beginning of year £ | Cash Flows £ | At end of year £ |
|---------------------------------------|---|-----------------------------|---------------------------------|
| Cash held at bank and in hand | 1,388 | 1,136 | 2,524 |
| Long term loans | (3,520,000) | (9,840,000) | (13,360,000) |
| Investment Cash held at fund managers | 7,427,034 | 2,213,683 | 9,640,717 |
| Bank (overdraft) | (90,676) | (35,695) | (126,371) |
| | <u>3,817,746</u> | <u>(7,660,876)</u> | <u>(3,843,130)</u> |

25 Capital commitments

| | 2014 £ | 2013 £ |
|--|-------------------|-------------------|
| Capital commitments at 30 June are as follows: | | |
| Authorised and contracted | <u>2,314,438</u> | <u>530,000</u> |
| Authorised but not yet contracted for | <u>4,242,506</u> | <u>270,000</u> |

26 Pensions

The College participates in three defined benefit schemes, the Universities Superannuation Scheme (USS), the Cambridge Colleges Federated Pensions Scheme (CCFPS) and the Old Non Contributory Scheme. The assets of the schemes are held in separate trustee administered funds, with the exception of the closed Old Non Contributory Scheme which is recorded separately in the College balance sheet. The total pension cost for the year was £679,429 (2013: £628,569).

26a Universities 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. The actuary also carries out regular reviews of funding levels. 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 2013 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.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. 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. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with the stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based in the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding lever measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution'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.

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 2011 valuation 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 valuation effective date 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 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 contribution 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 gap

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%.

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 2014, USS had over 162,000 active members and the college had 161 active members participating in the scheme.

The contribution rate payable by the College was 16% of pensionable salaries.

26b Cambridge Colleges Federated Pension Scheme

The College is also a member of a multi-employer defined benefit scheme, the Cambridge Colleges' Federated Pension Scheme (CCFPS). A full valuation was undertaken as at 31 March 2014 and updated to 30 June 2014 by a qualified independent Actuary.

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

| | 2014 % p.a. | 2013 % p.a. |
|--|-----------------------|-----------------------|
| Discount rate | 4.2 | 4.6 |
| Expected long-term rate of return on Scheme assets | 6.2 | 6.2 |
| Price inflation assumption | 3.3 | 3.3 |
| Salary inflation assumption | 2.8 | 2.8 |
| Consumer Price Index (CPI) assumption | 2.3 | 2.3 |
| Pension increases (inflation linked) | 3.3 | 3.3 |

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 2013 projection and a target long-term improvement rate of 1.0%. (2013:S1 tables and an allowance for improvements using the 2012 projection table with a long term improvement rate of 0.75% p.a.). This results in the following life expectancies:

- Male aged 65 now has a life expectancy of 22.3 years (previously 22).
- Female aged 65 now has a life expectancy of 24.3 years (previously 24.2).
- Male aged 45 now and retiring in 20 years would have a life expectancy then of 23.6 years (previously 22.9).
- Female aged 45 now and retiring in 20 years would have a life expectancy then of 25.8 years (previously 25.3).

Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2014 (with comparative figures as at 30 June 2013) are as follows:

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | £ | £ |
| Present value of Scheme liabilities | (14,282,584) | (12,917,376) |
| Market value of Scheme assets | 8,987,440 | 8,724,221 |
| Surplus/(deficit) in the Scheme | (5,295,144) | (4,193,155) |

The amounts to be recognised in the profit and loss account for the year ended 30 June 2014 (with comparative figures for the year ended 30 June 2013) are as follows:

| | 2014 | 2013 |
|----------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Current service cost | 304,953 | 289,436 |
| Interest on Scheme liabilities | 591,359 | 513,025 |
| Expected return on Scheme assets | (534,615) | (438,403) |
| Total | <u>361,697</u> | <u>364,058</u> |
| Actual return on Scheme assets | <u>526,200</u> | <u>940,288</u> |

Changes in the present value of the Scheme liabilities for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|--------------------------|--------------------------|
| | £ | £ |
| Present value of Scheme liabilities at beginning of period | 12,917,376 | 10,938,621 |
| Service cost (including employee contributions) | 367,261 | 371,834 |
| Interest cost | 591,359 | 513,025 |
| Actuarial losses/(gains) | 903,337 | 1,491,941 |
| Benefits paid | (496,749) | (398,045) |
| Present value of Scheme liabilities at end of period | <u>14,282,584</u> | <u>12,917,376</u> |

Changes in the fair value of the Scheme assets for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Market value of Scheme assets at beginning of period | 8,724,221 | 7,821,439 |
| Expected return | 534,615 | 438,403 |
| Actuarial gains/(losses) | (8,415) | 501,885 |
| Contributions paid by the College | 171,460 | 278,141 |
| Employee contributions | 62,308 | 82,398 |
| Benefits paid | (496,749) | (398,045) |
| Market value of Scheme assets at end of period | <u>8,987,440</u> | <u>8,724,221</u> |

The agreed contributions to be paid by the College for the forthcoming year are 15.95% of Contribution Pay plus £27,526 p.a. to cover expenses, subject to review at future actuarial valuations. These rates exclude PHI.

The major categories of Scheme assets as a percentage of total Scheme assets for the year ending 30 June 2014 (with comparative figures for the year ended 30 June 2013) are as follows:

| | 2014 | 2013 |
|--------------------------|-------------|-------------|
| Equities and Hedge Funds | 70% | 68% |
| Bonds and Cash | 23% | 24% |
| Property | 7% | 8% |
| Total | <u>100%</u> | <u>100%</u> |

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories in the above table and an expected rate of return on equities and hedge funds of 7.0% (2013: 7%), an expected rate of return on properties of 6.0% (2013: 6%) and an expected rate of return on bonds and cash of 3.8% (2013: 4%).

Analysis of amount recognisable in the Statement of Total Recognised Gains and Losses (STRGL) for the year ending 30 June 2014 (with comparable figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|------------------|------------------|
| | £ | £ |
| Actual return less expected return on Scheme assets | (8,415) | 501,885 |
| Experience gains and losses arising on Scheme liabilities | (24,773) | (124,529) |
| Changes in assumptions underlying the present value of Scheme liabilities | (878,564) | (1,367,412) |
| Actuarial (loss) recognised in STRGL | <u>(911,752)</u> | <u>(990,056)</u> |

Cumulative amount of actuarial gains and losses recognised in the STRGL for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | £ | £ |
| Cumulative actuarial (loss) at beginning of period | (4,037,099) | (3,047,043) |
| Recognised during the period | (911,752) | (990,056) |
| Cumulative actuarial (loss) at end of period | <u>(4,948,851)</u> | <u>(4,037,099)</u> |

Movement in surplus/(deficit) during the period ending 30 June 2014 (with comparative figures for the year ending 30 June 2013 are as follows:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | £ | £ |
| (Deficit) in Scheme at beginning of year | (4,193,155) | (3,117,182) |
| Service Cost (Employer Only) | (304,953) | (289,436) |
| Contributions paid by the College | 171,460 | 278,141 |
| Finance Cost | (56,744) | (74,622) |
| Actuarial gain/(loss) | (911,752) | (990,056) |
| Surplus/(deficit) in Scheme at end of year | <u>(5,295,144)</u> | <u>(4,193,155)</u> |

Amounts for the current and previous five accounting periods are as follows:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|--------------|
| | £ | £ | £ | £ | £ |
| Present value of Scheme liabilities | (14,282,584) | (12,917,376) | (10,938,621) | (10,043,468) | (10,113,933) |
| Market value of Scheme assets | 8,987,440 | 8,724,221 | 7,821,439 | 8,569,448 | 7,312,648 |
| Surplus/(deficit) in the Scheme | (5,295,144) | (4,193,155) | (3,117,182) | (1,474,020) | (2,801,285) |
| Actual return less expected return on Scheme assets | (8,415) | 501,885 | (1,492,056) | 564,336 | 446,160 |
| Experience gain/(loss) arising on Scheme liabilities | (24,773) | (124,529) | (208,155) | (34,277) | 226,722 |
| Change in assumptions underlying present value of Scheme liabilities | (878,564) | (1,367,412) | (136,038) | 711,083 | (1,197,533) |

26c Old Non Contributory Scheme

The Scheme is an unfunded defined benefit final salary scheme not operated under Trust. The scheme is not registered with the HM Revenue and Customs under the terms of the Finance Act 2004. The College's employees covered by the Scheme are not contracted out of the State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS).

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

| | 2014 | 2013 |
|--|---------------|---------------|
| | % p.a. | % p.a. |
| Discount rate | 4.2 | 4.6 |
| Expected long-term rate of return on Scheme assets | n/a | n/a |
| Price inflation assumption | 3.3 | 3.3 |
| Salary inflation assumption | n/a | n/a |
| Pension increases (inflation linked) | 0.0 | 0.0 |

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 2013 projection and a target long-term improvement rate of 1.0% (2013: S1 tables and an allowance for improvements using the 2012 projection table with a long term improvement rate of 0.75% p.a.). This results in the following life expectancies:

- Male aged 65 now has a life expectancy of 22.3 years (previously 22 years)
- Female aged 65 now has a life expectancy of 24.3 years (previously 24.2 years)

Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2014 (with comparative figures as at 30 June 2013) are as follows:

| | 2014 | 2013 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Present value of Scheme liabilities | (482,201) | (504,331) |
| Market value of Scheme assets | - | - |
| (Deficit) in the Scheme | <u>(482,201)</u> | <u>(504,331)</u> |

The amounts to be recognised in the profit and loss account for the year ended 30 June 2014 (with comparative figures for the year ended 30 June 2013) are as follows:

| | 2014 | 2013 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Current service cost | - | - |
| Interest on Scheme liabilities | 23,199 | 24,598 |
| Expected return on Scheme assets | - | - |
| Total | <u>23,199</u> | <u>24,598</u> |
| Actual return on Scheme assets | <u>-</u> | <u>-</u> |

Changes in the present value of the Scheme liabilities for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|----------------|----------------|
| | £ | £ |
| Present value of Scheme liabilities at beginning of period | 504,332 | 523,370 |
| Service cost including Employee contributions | - | - |
| Interest cost | 23,199 | 24,598 |
| Actuarial losses (gains) | 15,868 | 18,471 |
| Benefits paid | (61,198) | (62,108) |
| Present value of Scheme liabilities at the end of the period | <u>482,201</u> | <u>504,331</u> |

The Scheme has no assets, therefore changes to the value of assets are not applicable. The College is expected to pay the pensions as they fall due over the course of the year. The current pensioner payroll is £60,736.

Analysis of the amount recognisable in the Statement of Total Recognised Gains and Losses (STRGL) for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|-----------------|-----------------|
| | £ | £ |
| Actual return less expected return on Scheme assets | - | - |
| Experience gains and losses arising on Scheme liabilities | (6,457) | (17,389) |
| Changes in assumptions underlying the present value of Scheme liabilities | (9,411) | (1,082) |
| Actuarial (loss) recognised in STRGL | <u>(15,868)</u> | <u>(18,471)</u> |

Cumulative amount of actuarial gains and losses recognised in the STRGL for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|------------------|-----------------|
| | £ | £ |
| Cumulative actuarial gain/(loss) at beginning of period | (97,375) | (78,904) |
| Recognised during the period | (15,868) | (18,471) |
| Cumulative actuarial (loss) at end of period | <u>(113,243)</u> | <u>(97,375)</u> |

Movement in surplus/(deficit) during the period ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

| | 2014 | 2013 |
|---|------------------|------------------|
| | £ | £ |
| Surplus/(deficit) in Scheme at beginning of year | (504,332) | (523,370) |
| Service Cost (Employer Only) | - | - |
| Contributions paid by the College | 61,198 | 62,108 |
| Finance Cost | (23,199) | (24,598) |
| Actuarial gain/(loss) | (15,868) | (18,471) |
| (Deficit) in Scheme at the end of the year | <u>(482,201)</u> | <u>(504,331)</u> |

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------|-----------|-----------|-----------|-----------|
| | | £ | £ | £ | £ |
| Present value of Scheme liabilities | (482,201) | (504,331) | (523,370) | (541,699) | (588,690) |
| Market value of Scheme assets | - | - | - | - | - |
| (Deficit) in the Scheme | (482,201) | (504,331) | (523,370) | (541,699) | (588,690) |
| Actual return less expected return on Scheme assets | - | - | - | - | - |
| Experience gain/(loss) arising on Scheme liabilities | (6,457) | (17,389) | 15,325 | 17,439 | (5,962) |
| Change in assumptions underlying present value of Scheme liabilities | (9,411) | (1,082) | (31,469) | (5,185) | (33,651) |

26d Church of England Funded Pensions Scheme

The College also participates in the Church of England Funded Pensions Scheme and employs one member of the scheme out of a total membership of approximately 8,500 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the scheme was carried out as at 31st December 2012. This revealed a shortfall of £293 million, with assets of £896 million and a funding target of £1,189 million, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 3.2% pa on gilts and 5.2% pa on equities;
- RPI inflation of 3.2% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% pa; and
- Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the College to account for pension costs on the basis of contributions actually payable to the scheme in the year.

Following the results of the 2012 valuation, the [Employer's] contribution rate is due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

Contributions rates will be reviewed at the next valuation of the Scheme, due as at 31 December 2015.

27 Principal Subsidiary Undertakings

| | Country of Incorporation and Operation | Cost | Class of Shares | Proportion of shares held |
|---------------------------------|---|-------------|------------------------|----------------------------------|
| | | £ | | |
| Caius Property Services Limited | United Kingdom | 1 | Ordinary | 100% |
| Budworth Development Limited | United Kingdom | 1 | Ordinary | 100% |

28 Contingent Liabilities

As recorded in note 26, with effect from 16 March 2007, the Universities Superannuation Scheme (USS) positioned itself as a 'last man standing' scheme so that in event of an insolvency of any of the participating employers in USS, the amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers.

29 Related Party Transactions

Owing to the nature of the College's operations and the composition of its College Council it is possible that transactions will take place with organisations in which a member of the College Council may have an interest. All transactions involving organisations in which a member of the College Council may have an interest are conducted at arm's length and in accordance with the College's normal procedures. One trustee has purchased a house using the Fellows' shared equity scheme and one trustee has purchased a house using the College mortgage scheme which is no longer open to new members.

30 Perse Trust

The College provides trustees for the Perse Trust, a registered non-collegiate charity. In addition, the College oversees investment management of the Perse Trust endowment which at 30 June 2014 amounted to £522,898. These assets have been excluded from the College balance sheet as have the liabilities of the Trust with the exception of £14,461 which was owed to the College and has since been paid by the Trust.