Selwyn College, Cambridge

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2014

Registered Charity No. 1137517

Contents

Selwyn College
Grange Road, Cambridge CB3 9DQ
Charity Registration Number 1137517

The Head, Fellows and Scholars of Selwyn College is a corporate body comprising the Master, Fellows and Scholars, founded in 1882. In August 2010, the College became a registered charity with the Charities Commission, with its registered office at Grange Road, Cambridge CB3 9DQ.

Members of the Governing Body (as at 30 June 2014)

Mr Roger Mosey
Dr Michael R F Aitken
Professor Patrick J N Baert
Dr James W Baxendine
Dr Daniel A Beauregard
Dr John R Benson
Dr Rosemary C Bolton
Dr Christopher Briggs
Dr Uradyn E Bulag
Dr Nicholas J Butterfield
Dr Jack O Button
Professor R Stewart Cant
Dr Andrew N Chester
Professor Daping Chu
Professor William J Clegg
Dr Philip J Connell
Professor John S Dennis
Mr Nicholas J A Downer
Dr Bruno Ehrler
Dr Paul Elliott
Mr Stuart M Eves
Professor David F Ford
Mr Peter K Fox
Dr Fabian Grabenhorst
Dr Asif Hameed
Dr Gavin E Jarvis
Dr Andrew V Jones
Dr James H Keeler
Dr Georgios Kolios
Ms Bonnie C Lander Johnson
Mrs Haruko U Laurie
Ms Sarah E A MacDonald
Dr Catherine P MacKenzie
Mr James M R Matheson
Mr James A G McComish
Dr Sarah Meer
Dr James Moultrie
Dr Nikolaos Nikiforakis
Dr Diamuid R O'Donnell
Dr Janet A O'Sullivan
Dr Amer A Rana
Dr Vidyan Ravinthiran
Dr Stewart O Sage
Professor Jeremy K M Sanders
Dr Michael J Sewell
Revd Canon Hugh D Shilson-Thomas
Dr David L Smith
Dr Rupert J E Thompson
Dr Michael J Tilby
Dr Chander Velu
Dr Björn F N Wallace
Dr Heather M Webb
Dr David W E Willis
Dr Charlotte Woodford
Dr Yu Ye

JUNIOR MEMBERS

Caroline Macé (JCR President)
David Alam (JCR Treasurer)
Clare Henry (MCR President)
Marlen de la Chaux/Farid Ahmed (MCR Treasurer)

Operating and Financial Review for the Year ended 30 June 2014

Scope

Selwyn College (the "College") is pleased to present its operating and financial review, together with the consolidated financial statements for the year ended 30 June 2014. The consolidated financial statements include those of its development subsidiary, SCO&E Limited.

Aims and Objectives

Founded in 1882 as a place of religion, education, learning and research in memory of George Augustus Selwyn, Bishop successively of New Zealand and of Lichfield, the College is an autonomous, self-governing community of scholars and one of 31 Colleges within the University of Cambridge. The community consists of the Master, 54 fellows and 588 junior members, of whom 362 are undergraduates and 226 are graduate students. The College exists to promote its charitable objectives as laid down in its charter and statutes.

The College provides, in conjunction with the University of Cambridge, an education for undergraduate and graduate students, which is recognised as being of the highest international standard. The University came second overall in the QS World University Rankings for 2014. 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 and graduate mentoring systems. It also provides 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.

The College advances research through the provision of 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. In addition, it supports research work pursued by its other Fellows through the promotion of interaction across disciplines, the provision of facilities and grants for national and international conferences, research trips and research materials. It encourages visits from outstanding academics from abroad and the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

Public benefit

The College aims to attract the best applicants from the widest range of schools and colleges, thus helping to achieve the government's aspiration for a greater number of places being taken up by students from the maintained sector. The Colleges and the University engage in substantial outreach activities to encourage all academically qualified students to apply for admission to Cambridge, whatever their backgrounds or financial circumstances. The University is committed under the agreement with the Office for Fair Access ("OFFA") to increasing the proportion of UK resident students admitted from UK state sector schools and colleges so that they fall within a range of 61-63% and the proportion of UK resident students admitted from low-participation neighbourhoods to approximately 4%. 70% of students accepted by Selwyn for entry in October 2014 were from the maintained sector, compared with 67% the previous year.

The College participates enthusiastically in Widening Participation and Aspiration-Raising programmes in conjunction with the University. The College also, jointly with Homerton College, employs a Schools Liaison Officer who visits schools and co-ordinates events and

Open Days organised by the College. Since 2000, by agreement with the University and the other colleges, Selwyn has targeted non-selective state-maintained 11-16 and 11-18 schools, Further Education and Sixth Form Colleges in West Yorkshire, East Berkshire and Scotland.

Over the year, the College spent £122,788 on access events, a 17% increase over the £104,921 spent the previous year. Once admitted, students have access to several sources of financial aid. In 2013-14, a total of £274,435 was received by Selwyn students through the Cambridge Bursary Scheme, a scheme operated in common with the University, other colleges, and the Isaac Newton Trust. Under this Scheme, students whose household income is below £25,000 receive a maximum grant of £3,500 per year in addition to any government means-tested grants. Those with incomes of up to £42,600 receive amounts that taper to £50. In addition, the College paid out £66,870 in awards and scholarships (to support the purchase of books and equipment, attendance at conferences, and travel), studentships and bursaries in cases of financial hardship.

Achievements and Performance

Academic performance improved sharply over the year, with 24.3% of Selwyn candidates obtaining first class honours in 2014, compared with 16.0% the previous year. A strategic review undertaken during the year confirmed the College's commitment to academic excellence and anticipates further investment in teaching and student welfare in the coming years. Non-academic activities nonetheless remain important and details of the College's many sporting, musical and cultural successes are recorded in the *College Calendar*.

Governance

The College is a corporation established by Royal Charter of 13 September 1882. The arrangements for governance of the College are set out in its statutes. The Master is Head of House, has statutory powers of governance and presides over the Governing Body. The Senior Tutor has overall responsibility for the admission, education and welfare of undergraduates and graduates and the Bursar has overall responsibility for the finances and administration of the College. The membership of the Governing Body as at 30 June 2014 is shown at the beginning of this report. Members of the Governing Body serve until the earlier of retirement or the end of the academic year in which they reach 67 years of age.

Acting on the powers in the Charities Act 2006, the Secretary of State removed the exempt status of the Colleges of Oxford and Cambridge on 1 June 2010. The College was then registered with the Charity Commission on 12 August 2010 (Registered Number: 1137517). The Governing Body is the trustee body for the charity.

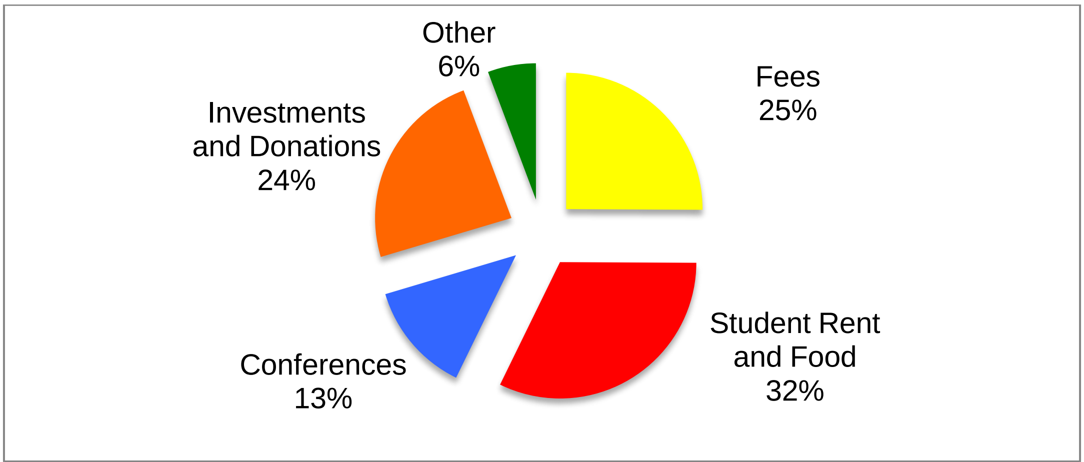
From a financial perspective, the Governing Body has responsibility for ensuring that there is an effective system of internal controls and that financial records are accurately maintained. It is also responsible for safeguarding the assets of the College and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The College is required by statute to present audited financial statements for each financial year. The Cambridge Colleges are classed as a special case for purposes of accounting and will continue to publish accounts in the form stipulated by Statute G III 2(i) of the University, *The Recommended Cambridge Colleges Accounts ("RCCA"),* which is based on Financial Reporting Standards and is compliant with the *Statement of Recommended Practice: Accounting for Further and Higher Education.* The Intercollegiate Colleges Accounts Committee advises on interpretation. The College is a charity within the meaning of the Taxes Act 1988, s 506 (1).

The Governing Body, which meets three times a year, delegates day-to-day responsibility for the running of the College to the College Council and its sub-committees. Representatives of the undergraduate and postgraduate student bodies attend Governing Body and Council meetings and most of the sub-committees. External advisers attend meetings of the Investment Committee. Members of the Governing Body are required to act with integrity, in the College's interests without regard to their own private interests, and to manage the affairs of the College prudently, balancing long-term and short-term considerations. The College has a policy for managing conflicts of interest, maintaining a register of interests and seeking declarations of potential conflict at the start of any meeting.

The College is a legally autonomous body; however, it exists within the federal structure of the University. Matters of concern to all colleges and the University are discussed and acted on through a system of University-wide committees, such as the Colleges' Committee, of which all Heads of House are members, the Senior Tutors' Committee, which is chaired by the Vice Chancellor, and the Bursars' Committee. Representatives of the Senior Tutors and Bursars sit on each other's committees and on the Colleges' Committee. These committees work through the building of consensus as their decisions are not constitutionally binding. The Cambridge colleges have established an Office for Intercollegiate Services, to support the activities of the principal intercollegiate committees.

Funding

The College's activities are funded from tuition fees, charges for student residences and catering, income from conferences, investments and from donations and bequests. The chart below shows the breakdown by category of the College's income for 2013-14:



Tuition Fees

Tuition Fees for Home and EU undergraduates are charged at the maximum permitted rate of £9,000 for students matriculating in 2013-14. Approval for this level of fee was conditional on the signing of an Access Agreement with OFFA and follows the very substantial reduction in the teaching funding for undergraduates provided by the Higher Education Funding Council for England ("HEFCE") to universities. Under the College Fee Agreement between 1999 and 2012, the University passed over funds, calculated on a *per capita* basis, to the Colleges. From 2012, the tuition fees for new students are paid either by the students themselves or on behalf of the students through the Student Loans Company. The Colleges collect these fees and, under a recently negotiated fee agreement, pass half over to the University. Both the Colleges and the University pay from the fee equal shares towards the Cambridge Bursary Scheme, with the Isaac Newton Trust contributing funds to support the obligations of the less well-endowed Colleges, such as Selwyn.

The new fee arrangements appear to have had no adverse effect on Cambridge admissions. 16,185 candidates applied to the University for 2013 admission, compared with 15,701 the previous year. In 2013, there were 4.8 applications per place, compared with 4.6 the previous year.

In 2013-14, fees from home and EU undergraduates amounted to £1,546,353, a 7.2% increase over the previous year, following a modest increase in undergraduate numbers. A further £184,384 was received from privately funded undergraduates and £313,636 from postgraduate students. The diminishing number of "old regime" students means the average fee for home and EU undergraduates is approaching £4,500, the agreed College share of the "new regime" fee. The fee payable by all graduate students was £2,424. These fees are substantially below the actual cost of education, which was estimated by the Cambridge Colleges in 2012-13 as £8,603 per annum for an undergraduate and £4,194 for a postgraduate. Whilst the private undergraduate fee is unregulated and set at £6,367 for the 2013 intake, there remains a substantial shortfall, as evidenced by the growing deficit on the education account described below.

The Colleges Fund

The Colleges Fund, which is funded through an intercollegiate taxation system, makes grants to Colleges with insufficient endowments. The College received a grant of £186,000 in 2013-14 (£182,000 in 2012-13). The College considers that the burden of buildings maintenance requires a more substantial endowment and is shortly to launch a major endowment fundraising campaign. Grants to Selwyn from the Colleges Fund since the beginning of this arrangement in 1998 have totalled £2,882,093.

Student Residences and Catering

Rent and catering for members of the College was the most important revenue source, accounting for 32% of total income. Most junior members live in College accommodation while in residence. The majority of the College's 499 student rooms are located on or adjacent to the main site on Grange Road and, following the refurbishment of Cripps Court, two-thirds now have ensuite facilities. The College provides a wide range of student accommodation with varying charges depending on the facilities provided. A typical room rent in 2013-14 was around £107 per week for a standard room and £131 for an ensuite room. This is substantially below the levels charged by private landlords in Cambridge and also below the economic cost to the College of providing the room. The College acknowledges that welfare considerations must play a part in rent discussions and that sharp rent rises are to be avoided where possible. In consequence, the College has put in place a five-year agreement designed to achieve breakeven on the rent account.

The College also offers a variety of catering services to members; snacks, brunches, cafeteria self-service meals and formal hall dinners. The College is recognised for the high quality of its offering and holds a 5-star environmental health rating, the highest awarded by Cambridge City Council.

Conferences

The College has a long-term strategy of building its conference income, which amounted to £1.1 million in 2013-14, representing 13% of total income. This represented a welcome 17% rise from £0.9 million in 2012-13, as the first benefits of the Cripps refurbishment came through. The business has grown substantially since 2003, as the College seeks to cover the out-of-term portion of the year-round costs of the estate and the staff. The College works closely with many University departments, notably the Institute of Continuing Education and its Summer Schools on the adjacent Sidgwick Site.

Donations and bequests
One of the fundamental challenges facing the College is that its endowment is insufficient to support the current scale of its operations, as income from investments can only partly offset losses in the core businesses. The College is preparing a new endowment campaign that is intended to address this and secure the future scope, scale and quality of its operations.

Investment Income
Although the College's endowment remains modest when compared to other Cambridge colleges, income from investments is a vital source of revenue, amounting to £1.3 million or 16% of total income in 2013-14. The College endeavours to manage its investments to ensure that it can continue to meet its charitable objectives in perpetuity. The portfolio continues to be self-managed by the College’s Investment Committee, which includes external members and the College’s stockbroker. The College’s defensive investment stance served it well throughout the downturn and the College continues to favour strong levels of exposure to high quality global equities at a time when returns on cash are minimal.

Financial review
The refurbishment of Cripps Court, which began in July 2012, was completed on time and within budget in early September 2014. With more rooms available, student numbers and rental income recovered as the refurbishment progressed, releasing more rooms. In consequence, and notwithstanding increased costs such as interest on construction loans and the cost of leasing accommodation for displaced students, along with a generally difficult operating environment, the College is able to announce an improved set of results compared to last year. It remains however in structural deficit.

Income and Expenditure
In statutory accounting terms, the College made a surplus of £92,444, compared with a deficit of £311,248 last year. The figure is however flattered by a one-off £247,112 gain on the sale of a flat, the proceeds of which were applied to the cost of the Cripps refurbishment. It is perhaps more instructive to focus on the underlying operational condition of the College. In the year to June 2014, the College recorded an underlying deficit of £422,623, a 25% improvement on the previous year's figure and as the second lowest deficit in the last 12 years, just behind 2012.

	2014 **£**	**2013** **£**	**2012** **£**	**2011** **£**
Net Surplus /(Deficit)	**92,446**	**(311,248)**	**189,927**	**63,266**
FRS17 Pension Cost Adjustments	174,466	110,811	(60,939)	73,293
Unrestricted Donations Income	(311,485)	(222,536)	(257,630)	(273,957)
Release of Deferred Capital	(297,209)	(355,265)	(312,879)	(258,095)
Profit on Property Disposal	(247,112)			
Loan Interest	166,271	216,832	25,000	25,000
Special Dividend	-	-	-	(165,600)
Underlying Deficit	**(422,623)**	**(561,406)**	**(416,521)**	**(536,093)**

Income for the year rose by 9.8% to £8.1 million (or 6.4% excluding the gain on the flat), with the bulk of the increase resulting from income from the new Cripps rooms as the early phases came on stream. Total expenditure rose by 4.6% to £7.9 million, largely due to higher spending on education.

Fee income from undergraduate and graduate students rose by 7.1% to £2.0 million, as pressure on numbers eased as the Cripps refurbishment progressed. Following increases of 5% and 8% in teaching and tutorial costs respectively, total expenditure on education rose by 5.8% to £3.0 million, resulting in an education deficit of around £0.9 million.

Income from accommodation of College members rose by 9.2% to £1.9 million as the refurbishment progressed. The corresponding 5.8% increase in related expenditure to £2.2 million led to a reduction in the accommodation deficit from £0.33 million to £0.29 million.

Income from catering for College members rose by 3.6% to £0.7 million, whilst the related expenditure rose by 4.9% to £1.1 million, producing a further 7.5% rise in the student catering deficit to £0.4 million. The disruptive effects of the Cripps displacements continue to form part of this decline. Student spend in Hall is declining, with College data suggesting that the average daily spend in Hall during the Easter Term 2014 was £3.24, a 9.1% fall compared with £3.56 the year before. 425 students used the Hall over the period, the same number as the previous year, suggesting that student budgets continue to come under pressure. Postgraduate students in particular appear to be hit by tighter budgets, with numbers down by 21%, compared to a 5% rise in undergraduates using Hall.

The conference business rallied during the year, with revenue rising by 17% to £1.1 million, driven by a welcome recovery in bookings from University departments.

Investments

The College's investment portfolio amounted to £40.4 million at 30 June 2014, compared to £42.0 million the previous year. This latter figure included £4.0 million of unutilised proceeds of a loan from the Cripps Foundation. This had fallen to £0.7 million by 30 June 2014. On a like-for-like basis, the portfolio rose by 7.3% as financial markets again trended upwards over the course of the year. This modestly underperformed the return of the WM Charity Fund Monitor, which rose by 10.4%. The College's average annual return for the last three years has been 7.7%. Investment income fell by 6.1% to £1.34 million, which nonetheless represents a reasonable performance at a time when income returns are at historically low levels.

Cash holdings declined from 14% to 5% as the bulk of the cash held for the refurbishment of Cripps Court was spent on construction. In consequence, equity weightings rose from 72% last year to 81%, with holdings increasing from £29.9 million in 2012-13 to £32.6 million.

Donations

The College is dependent on donations and benefactions to build its endowment and offset losses in its core activities. It is a vital source of revenue and the College is very appreciative of the generosity of its alumni. This year the College received £311,485 in unrestricted donations, which form part of Endowment Income in the Income and Expenditure account; last year it received £222,536. In addition, the College received £2,756,697 in donations for capital purposes; last year it received £3,207,040.

Cash Flow

The College continues to focus on its cash flow. This can be calculated in a number of ways and in the interests of simplicity, one measure of the progress of recent years is to take the underlying deficit and add back the annual depreciation charge, as follows:

	2014	2013	2012 £	2011 £
Underlying Deficit	(422,623)	(561,406)	(416,521)	(536,093)
Depreciation Charge	1,632,580	1,508,737	1,482,662	1,453,219
Cash Flow	1,209,957	947,331	1,066,141	917,126
Change	28%	(11%)	16%	22%

The early benefits of the Cripps project, in terms of increased student numbers and rents, along with stronger conference receipts, have led to a record level of cash flow at £1.2 million. Solid cost control has allowed the College to navigate several years of recession and remain cash positive. Annual benchmarking exercises with other Colleges suggest that Selwyn remains amongst the most efficiently run. The College's staff cost per capita student is for example 9% below the college average. Cost control remains a priority for the College, with a robust annual budgeting process. Maintaining positive cash flow over the long term is a critical objective. When cash generation turns negative, the College will have to sell assets or borrow money to fund its day-to-day operations. This would certainly be imprudent and unsustainable.

Staff Costs and Pensions
Staff costs amounted to £3.4 million, or 43% of total expenditure. This represented a 4% increase on the previous year, essentially due to an increase in pension costs. At 30 June 2014, the College employed 52 Fellows and 92 full-time equivalent staff, compared with 52 Fellows and 95 full-time equivalent staff the previous year.

Under FRS17 the College is required to disclose its pension liability on the balance sheet. This year saw another substantial increase in the pension deficit as calculated by the actuary from £2.2 million to £3.1 million at 30 June 2014. The increase in the deficit is due to changes in the FRS17 assumptions, mainly due to higher inflation expectations and a lower discount rate assumption; contributions over the year being less than required to meet the FRS17 calculated service cost, being offset by higher than expected investment returns. The increase in the deficit of £970,217 is shown in the accounts as follows:

	2014	2013	2012 £	2011 £
Income and Expenditure Account:	(174,466)	(110,811)	60,939	(73,293)
Statement of Total Recognised Gains and Losses:	(795,751)	(658,317)	(1,064,575)	1,131,488
Total (increase)/decrease	(970,217)	(769,128)	(1,003,636)	1,058,195

The College is committed, to the best of its ability, to protecting the pension benefits of its employees.

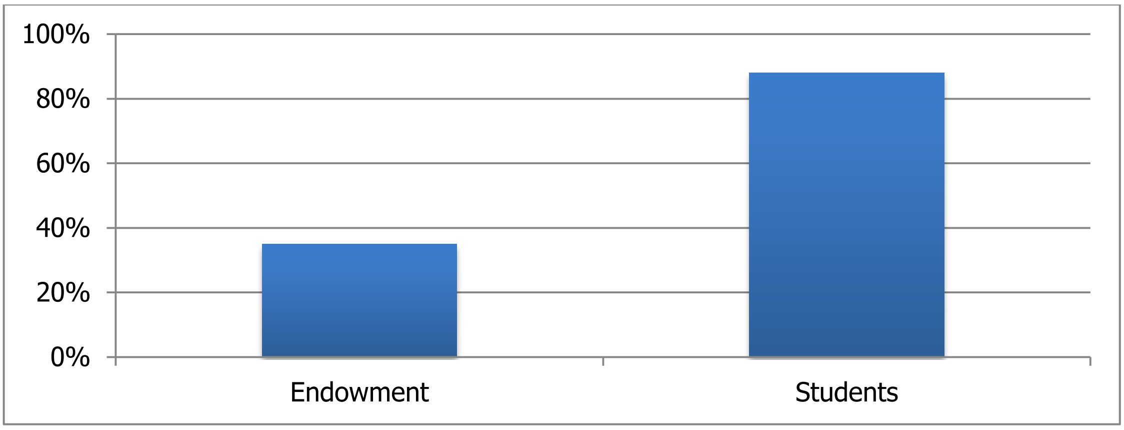
Balance Sheet
Liquid resources remained at £0.4 million at the year-end. Debt decreased from £7.9 million to £6.7 million, following a further annual donation instalment from the Cripps Foundation. Land and buildings of £61.3 million and the investment portfolio of £40.4 million form the other main components of a balance sheet of £91.8 million.

Buildings and Estate
Maintaining the College's listed and historic buildings is one of the College's major costs, with an annual depreciation charge of £1.6 million (or 21% of total expenditure) set aside to

cover their upkeep and replacement. In the year under review, capital expenditure amounted to £6.7 million (substantially all of which on Cripps Court), including fixtures, fittings and equipment.

The refurbishment of Cripps Court is now complete. The College took delivery of the final phase in early September 2014. The project was completed on time and comfortably within the budget of £14.4 million.

Risks and Uncertainties
The primary risks facing the College are of a financial nature. Relative to other colleges, the chart below shows that in 2013, Selwyn had 33% of the average endowment but almost 90% of the average student numbers:



The College continues to punch above its weight but also continues to incur losses in its core businesses of educating, feeding and housing young people. The current level of endowment income is insufficient to offset these operating losses. It must therefore either grow the endowment and increase investment income to the point where overall underlying breakeven can be achieved, or scale back the size, scope and quality of its operations.

The College has long focussed on cost control and cash preservation. It recognises however that, although a necessary and ongoing process, cost cutting will in itself not eliminate the deficit. As has been often stated in recent years, the long-term solution to the deficit is to raise revenue by means of an increased endowment, rather than cost cutting at the expense of the scope and quality of the College's educational and other charitable objectives. It will however permit a breathing space to put in place a long-term development campaign to increase the endowment by around £20 million in order to secure the future and insulate the College against the vagaries of an increasingly hostile operating environment.

Other uncertainties relate to the situation regarding fees for higher education, especially in the context of the forthcoming election. Applications to Selwyn have not fallen materially following the introduction of the higher fee and it is hoped that they will not do so in the future. Reductions in postgraduate funding may have a more significant impact on student numbers in the years to come. A further cause for concern is the risk that the perception, amongst new regime students in particular, that the disparity of wealth amongst colleges will lead to an inequality of service provision by colleges. This may in the future have an adverse effect on the College’s ability to attract the best students. Reducing this disparity will be a key objective of the forthcoming endowment campaign.

Outlook

The Cripps refurbishment has been successfully completed and the project will make a strong educational and financial contribution in the future. Substantially all of the College estate has now been built or refurbished in the last 15 years. The College has responded to a difficult economic context in an effective yet measured manner. Costs are being addressed where practicable but the Governing Body is conscious of the need to preserve both the ethos of the College and the commitment to academic excellence, as confirmed by the strategic review undertaken during the year. Despite the unfavourable financial and operating environment, the College has much to be proud of: it remains successful academically and is a strikingly vibrant community. It now wishes to protect and develop these qualities and is embarking on a new and critical phase of its history, as it seeks to grow its endowment and secure its financial and academic future.

NJA Downer

N J A Downer
18 November 2014

Statement of Responsibilities of the Governing Body

In accordance with the College's Statutes, the Governing Body is responsible for the administration and management of the College's affairs.

It is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Governing Body is satisfied that the College has adequate resources to continue in operation for the foreseeable future. The financial statements are accordingly prepared on a going concern basis.

The Governing Body has taken reasonable steps to ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud.

Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

Independent Auditors' Report to the Governing Body of Selwyn College
Year Ended 30 June 2014

We have audited the financial statements of Selwyn 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's Governing Body, as a body, in accordance with College's Statutes and 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's Governing Body those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 13, the Governing Body 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 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 Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the 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;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- 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; and

- 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 Governing Body's Operating and Financial Review 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

Peters Elworthy & Moore
Chartered Accountants and Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 20 November 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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and 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 9a.

All items dealt with in arriving at the surplus/(deficit) for 2014 and 2013 relate to continuing operations.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets and certain land and buildings.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertaking, S. C. O. & E. Ltd, for the year ended 30 June 2014. The activities of student societies have not been consolidated. A separate balance sheet and related notes for the College are not included because S. C. O. & E. Ltd is a design and build company and therefore the balance sheet of the College would not be materially different to the one included in the accounts.

S. C. O. & E. Ltd is incorporated in England and Wales with an authorised and issued share capital of 1,000 £1 ordinary shares, of which the College holds 100%.

Recognition of income

a. Academic fees

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

b. Restricted grant income

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

c. 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.

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

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

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

Tangible fixed assets

a. Land and buildings
The operational buildings held by the College on 1 July 2002 have been brought into the accounts at depreciated replacement cost based on a valuation carried out by Davis Langdon LLP, Chartered Surveyors. Subsequent additions and improvements to the College's buildings are accounted for at cost. Freehold buildings are depreciated on a straight-line basis over their expected useful economic life of 50 years. Freehold land is not depreciated. Leasehold buildings are amortised over 50 years, or, if shorter, the period of the lease.

With effect from 2002-03 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 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.

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 to 30 June 2014. They are not depreciated until they are brought into use.

No value has been placed on the land occupied by the College's operational buildings as at 1 July 2002; purchases of land after this date are to be capitalised.

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

c. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £100 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful lives as follows:

Furniture and fittings	15 years
Motor vehicles	10 years
General equipment	5-20 years
Computer equipment	4 years
Library books	20 years
Musical instruments	50 years

No depreciation is charged in the year of acquisition.

Where equipment is acquired with the aid of specific bequests or donations it is 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.

d. Heritage assets

The College holds a collection of rare books which is not recognised in the Balance Sheet. This collection has arisen through donations and largely comprises works on theology. Few of the books are scarce or in first editions and the subject area is unfashionable. It would be difficult and expensive to replace the collection but equally the possibility of finding a specialist buyer could not be guaranteed, therefore to attribute any value to these books would be unrealistic.

The College employs a professional archivist whose responsibilities include the care and maintenance of the rare book collection. The exposure of the collection to heat and light is strictly controlled.

The College also holds a number of paintings and drawings but the majority of these are portraits of members and benefactors of the College. As such this collection pertains to the history of the College and has little external market value.

e. Leased assets

The College does not hold any fixed assets under finance leases.

Investments

Fixed asset investment and endowment assets are included in the balance sheet at market value. All the College's investments are listed on a recognised stock exchange.

Stocks

Stocks are valued at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

Provisions

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

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

Foreign currencies

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

Taxation

Until 1 June 2010 the College was an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. On 1 June 2010 the College ceased to be an exempt charity and, subsequent to the balance sheet date, became a registered charity, number 1137517, on 17 August 2010.

The College is also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

Contribution under Statute G,II

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

Pension costs

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 scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and 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 FRS17 "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.

The College also participates in the Cambridge Colleges Federated Pension Scheme (CCFPS), 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. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

Until 31 December 2013 the College participated in the Church of England Funded Pensions Scheme (CEFPS) in respect of its Chaplain. The CEFPS is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities; each employer in the scheme pays a common contribution rate. Under paragraph 9(b) of the accounting standard on Retirement Benefits, Financial Reporting Standard 17, the College is required to account for pension costs for schemes such as the CEFPS on the basis of contributions actually payable to the scheme in the year.

Consolidated Income & Expenditure Account
For the year ended 30 June 2014

	Note	**2014** £	2013 £
INCOME			
Academic fees and charges	1	2,044,373	1,907,955
Residences, catering and conferences	2	3,693,774	3,351,791
Endowment and investment income	3	1,339,444	1,426,879
Donations	4	608,694	577,801
Other income	5	465,662	161,727
Total income		8,151,947	7,426,153
EXPENDITURE			
Education	6	2,966,894	2,803,434
Residences, catering and conferences	7	4,763,080	4,515,130
Interest payments		166,271	216,832
Other expenditure	8	5,422	17,786
Total expenditure	9a	7,901,667	7,553,182
Surplus/(deficit) on continuing operations before Contribution under Statute G,II		250,280	(127,029)
Contribution under Statute G,II		-	-
		250,280	(127,029)
Surplus for the year transferred to accumulated income in endowment funds	21	(157,836)	(184,219)
Surplus/(deficit) for the year retained within general reserves	**£**	**92,444**	£ (311,248)

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2014

	Note	Restricted Funds £	Un-restricted Funds £	2014 Total £	2013 Total £
Surplus/(deficit) on income and expenditure account		-	92,444	92,444	(311,248)
Unspent endowment fund income		157,836	-	157,836	184,219
Increase in market value of investments					
Endowment assets	21	614,176	687,231	1,301,407	2,797,781
Fixed asset investments	22	-	185,397	185,397	362,494
New endowments	21	1,405,094	-	1,405,094	886,673
Reclassification		78,000	(78,000)	-	-
Bursary compensation payment		-	5,623	5,623	8,001
Capital grant from the Colleges Fund		-	186,000	186,000	182,000
Actuarial loss in respect of pension schemes	24	-	(795,751)	(795,751)	(658,317)
Total recognised gains relating to the year	**£**	**2,255,106**	**282,944**	**2,538,050**	£ 3,451,603

Reconciliation

		Restricted Funds £	Un-restricted Funds £	2014 Total £	2013 Total £
Opening reserves and endowments		15,453,195	57,966,061	73,419,256	69,967,653
Total recognised gains for the year		2,255,106	282,944	2,538,050	3,451,603
Closing reserves and endowments	**£**	**17,708,301**	**58,249,005**	**75,957,306**	£ 73,419,256

Consolidated Balance Sheet as at 30 June 2014

	Note	**30 June 2014 £**	30 June 2013 £
Fixed assets			
Tangible assets	11	61,261,769	56,541,101
Investments	12	6,024,947	11,148,768
Endowment assets	13	34,410,604	30,828,072
Current assets			
Stocks	14	231,357	220,111
Debtors	15	646,287	669,586
Cash	16	394,565	367,384
		1,272,209	1,257,081
Creditors: amounts falling due within one year	17	(2,586,166)	(2,714,320)
Net current liabilities		(1,313,957)	(1,457,239)
Total assets less current liabilities		100,383,363	97,060,702
Creditors: amounts falling due after more than one year	18	(5,430,000)	(6,670,000)
Net assets excluding pension liability		94,953,363	90,390,702
Pension liability	19	(3,143,658)	(2,173,441)
Net assets including pension liability		**£ 91,809,705**	£ 88,217,261

Represented by:		**Restricted Funds £**	**Un-restricted Funds £**	**30 June 2014 £**	30 June 2013 £
Deferred capital grants	20	15,852,399	-	15,852,399	14,798,005
Endowments					
Expendable endowments	21	51,933	-	51,933	95,704
Permanent endowments	21	17,656,368	16,702,303	34,358,671	30,732,368
		17,708,301	16,702,303	34,410,604	30,828,072
Reserves					
General reserves excluding pension reserve	22	-	44,690,360	44,690,360	44,764,625
Pension reserve	22	-	(3,143,658)	(3,143,658)	(2,173,441)
		-	41,546,702	41,546,702	42,591,184
Total Endowments and Reserves		17,708,301	58,249,005	75,957,306	73,419,256
Total funds		33,560,700	58,249,005	**£ 91,809,705**	£ 88,217,261

Approved by the Governing Body on 18 November 2014 and signed on their behalf by:

NJA Downer

N J A Downer
Bursar

Consolidated Cash Flow Statement for the year ended 30 June 2014

	Note	**2014** £	2013 £
Operating activities			
Surplus/(deficit) on continuing operations before Contribution under Statute G,II		250,280	(127,029)
Depreciation of tangible fixed assets	11	1,632,580	1,508,737
(Profit)/loss on disposal of tangible fixed assets	5/8	(246,203)	563
Deferred capital grants released to income	20	(297,209)	(355,265)
Investment income	3	(1,339,444)	(1,426,879)
Interest payable		166,271	216,832
Movement in pension deficit	19	174,466	110,811
		340,741	(72,230)
Increase in stocks	14	(11,246)	(15,996)
Decrease/(increase) in debtors	15	23,299	(257,808)
(Decrease)/increase in creditors	17	(128,154)	828,656
Net cash inflow from operating activities		**224,640**	482,622
Returns on investments and servicing of finance			
Endowment and Investment income received	3	1,339,444	1,426,879
Interest paid		(166,271)	(216,832)
Net cash inflow from returns on investment and servicing of finance		**1,173,173**	1,210,047
Contribution to the Colleges Fund		**-**	-
Capital transactions and financial investment			
Sales of investment assets		3,028,093	1,204,696
Payments to acquire tangible fixed assets	11	(6,697,407)	(5,555,523)
Proceeds of the sale of tangible fixed assets		590,362	-
Donations for buildings and other capital grants received	20	1,351,603	2,320,367
New endowments received	21	1,405,094	886,673
Grants received from Colleges Fund		186,000	182,000
Bursary compensation payment		5,623	8,001
Net cash outflow from capital transactions		**(130,632)**	(953,786)
Financing			
Long term loans received		-	325,000
Long term loans repaid		(1,240,000)	(1,290,000)
Net decrease in long term loans		**(1,240,000)**	(965,000)
Increase/(decrease) in cash in the year	**£**	**27,181**	£ (226,117)
Reconciliation of net cash flow to movement in net liquid assets			
Increase/(decrease) in cash in the year		27,181	(226,117)
Net funds at beginning of year		367,384	593,501
Net funds at end of year	16 **£**	**394,565**	£ 367,384

Notes to the Accounts for the year ended 30 June 2014

1	ACADEMIC FEES AND CHARGES	**2014**	2013
	COLLEGE FEES	**£**	£
	Fee income paid on behalf of undergraduates at the Publicly-funded Undergraduate rate (per capita fee from £4,068 to £4,500)	1,546,353	1,442,990
	Privately-funded undergraduate fee income (per capita fee from £5,889 to £6,367)	184,384	168,663
	Fee income received at the Graduate fee rate (per capita fee £2,424)	313,636	296,302
		£2,044,373	£1,907,955

2	INCOME FROM RESIDENCES, CATERING AND CONFERENCES		**2014**	2013
			£	£
	Accommodation:	College members	1,885,640	1,726,607
		Conferences	712,400	595,864
	Catering:	College members	736,100	710,627
		Conferences	359,634	318,693
			£3,693,774	£3,351,791

3	ENDOWMENT AND INVESTMENT INCOME	**2014**	2013
	Income from:	**£**	£
	Freehold land and buildings	-	8,844
	Quoted securities		
	Equities	1,166,048	1,085,808
	Fixed interest	160,421	237,135
	Cash	12,975	95,092
		£1,339,444	£1,426,879

Investment Management fees paid to J. M. Finn & Co. were £14,400 (2013: £14,400) and are included in Other Operating Expenses (Note 9a).

4	DONATIONS	**2014**	2013
		£	£
	Unrestricted donations	311,485	222,536
	Released from deferred capital grants (see note 20)	297,209	355,265
		£608,694	£577,801

5	OTHER INCOME	**2014**	2013
		£	£
	From Isaac Newton Trust for Cambridge Bursaries	218,550	161,727
	Profit on disposal of tangible fixed assets	247,112	-
		£465,662	£161,727

Notes to the Accounts for the year ended 30 June 2014

6 EDUCATION EXPENDITURE

	2014 £	2013 £
Teaching	1,754,876	1,677,192
Tutorial	367,019	339,655
Admissions	135,228	137,335
Access	122,788	104,921
Research	114,061	129,480
Scholarships and awards	66,870	90,932
Cambridge Bursaries (see note 5)	274,435	197,325
Other educational facilities	131,617	126,594
Total	£2,966,894	£2,803,434

7 RESIDENCES, CATERING AND CONFERENCE EXPENDITURE

		2014 £	2013 £
Accommodation	- College members	2,178,488	2,058,887
	- Conferences	968,215	915,061
Catering	- College members	1,119,030	1,066,972
	- Conferences	497,347	474,210
Total		£4,763,080	£4,515,130

8 OTHER EXPENDITURE

	2014 £	2013 £
Net return on pension scheme assets less liabilities	4,513	17,223
Loss on disposal of tangible fixed assets	909	563
	£5,422	£17,786

9a ANALYSIS OF 2013-14 EXPENDITURE BY ACTIVITY

	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
Education (note 6)	1,375,216	1,314,040	277,638	2,966,894
Residences, catering and conferences (note 7)	2,037,789	1,370,349	1,354,942	4,763,080
Interest payments	-	166,271	-	166,271
Other expenditure (note 8)	-	5,422	-	5,422
	£3,413,005	£2,856,082	£1,632,580	£7,901,667

Other Operating Expenses includes £289,232 as costs of fundraising (2013: £288,771). This expenditure includes the cost of alumni relations.

9b ANALYSIS OF 2012-13 EXPENDITURE BY ACTIVITY

	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
Education (note 6)	1,339,885	1,218,262	245,287	2,803,434
Residences, catering and conferences (note 7)	1,937,535	1,314,145	1,263,450	4,515,130
Interest payments	-	216,832	-	216,832
Other expenditure (note 8)	-	17,786	-	17,786
	£3,277,420	£2,767,025	£1,508,737	£7,553,182

9c AUDITORS' REMUNERATION

	2014 £	2013 £
Other operating expenses include:		
Audit fees payable to the College's external auditors	14,586	14,146
Other fees payable to the College's external auditors	300	6,708
	£14,886	£20,854

Notes to the Accounts for the year ended 30 June 2014

10 STAFF

	2014 College Fellows £	**2014 Non-academic £**	**2014 Total £**	2013 Total £
Staff costs:				
Emoluments	667,365	2,104,374	2,771,739	2,710,891
Social Security costs	45,363	125,802	171,165	175,087
Other pension costs (see note 24)	98,247	371,854	470,101	391,442
	£810,975	£2,602,030	£3,413,005	£3,277,420

	Average staff nos.			Average staff nos.		
	Number of Fellows	Full-time equivalents	**2014 Total**	Number of Fellows	Full-time equivalents	2013 Total
Academic	51	-	51	51	-	51
Non-academic	1	92	93	1	95	96
	52	92	144	52	95	147

There are 55 Members of the Governing Body, of which the 52 declared above receive a stipend from the College.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2013: none).

Trustees' remuneration included above: £667,365 (2013: £638,112). The trustees receive no remuneration in their role as trustees of the charity.

Notes to the Accounts for the year ended 30 June 2014

11 TANGIBLE FIXED ASSETS

	2014 Land and buildings £	2014 Equipment £	2014 Total £	2013 Total £
Cost or valuation				
At beginning of year	64,919,863	5,019,910	69,939,773	64,481,400
Additions at cost	5,998,066	699,341	6,697,407	5,555,523
Disposals at cost/valuation	(440,000)	(938,155)	(1,378,155)	(97,150)
At end of year	70,477,929	4,781,096	75,259,025	69,939,773
Depreciation				
At beginning of year	11,276,269	2,122,403	13,398,672	11,986,523
Charge for the year	1,298,287	334,293	1,632,580	1,508,737
Eliminated on disposals	(96,800)	(937,196)	(1,033,996)	(96,588)
At end of year	12,477,756	1,519,500	13,997,256	13,398,672
Net book value				
At end of year	**£58,000,173**	**£3,261,596**	**£61,261,769**	£56,541,101
At beginning of year	£53,643,594	£2,897,507	£56,541,101	£52,494,877

The insured value of freehold land and buildings as at 30 June 2014 was £92,766,712 (2013: £82,512,500).

12 FIXED ASSET AND ENDOWMENT INVESTMENTS

	2014 £	2013 £
Balance at beginning of year	41,976,840	40,021,263
Additions at cost	3,528,897	5,372,510
Disposals at opening market value	(2,774,607)	(3,520,414)
Appreciation on disposals/revaluation	1,528,659	3,137,431
Decrease in cash balances held by fund managers	(3,824,238)	(3,033,950)
Balance at end of year	£40,435,551	£41,976,840
Represented by:		
Quoted securities – equities	32,867,983	30,150,444
Quoted securities – fixed interest	5,716,011	6,150,600
Cash held for reinvestment	1,851,557	5,675,796
	£40,435,551	£41,976,840
Fixed asset investments	6,024,947	11,148,768
Endowment investments	34,410,604	30,828,072
	£40,435,551	£41,976,840

13 ENDOWMENT ASSETS

	2014 £	2013 £
Long-term investments:		
Quoted securities – equities	27,969,370	22,144,235
Quoted securities – fixed interest	4,858,766	4,513,403
Cash held for reinvestment	1,582,468	4,170,434
	£34,410,604	£30,828,072

14 STOCKS

	2014 £	2013 £
Goods for resale	£231,357	£220,111

Notes to the Accounts for the year ended 30 June 2014

15 DEBTORS

	2014	2013
	£	£
Members of the College	128,974	139,661
Trade debtors	75,019	77,068
Taxation recoverable	32,147	95,891
Sundry debtors	293,051	258,598
Prepayments	117,096	98,368
	£646,287	£669,586

16 CASH

	2014	2013
	£	£
Current accounts	367,210	345,586
Cash in hand	27,355	21,798
	£394,565	£367,384

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Loan repayable 30 March 2015	1,240,000	1,240,000
Trade creditors and accruals	416,347	702,705
PAYE and Social Security	103,981	107,257
Students' deposits	117,820	107,657
Other creditors	708,018	556,701
	£2,586,166	£2,714,320

18 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2014	2013
	£	£
Loans repayable	£5,430,000	£6,670,000

19 PENSION LIABILITY

	2014	2013
	£	£
Balance at beginning of year	2,173,441	1,404,313
Movement in year:		
Current service cost including life assurance	458,435	367,059
Contributions	(288,482)	(273,471)
Other finance cost/(income)	4,513	17,223
Actuarial loss recognised in statement of total recognised gains and losses	795,751	658,317
Balance at end of year	£3,143,658	£2,173,441

Notes to the Accounts for the year ended 30 June 2014

20 DEFERRED CAPITAL GRANTS

	2014 Donations £	2013 Donations £
Balance at beginning of year:		
Buildings	14,473,742	12,498,475
Equipment	324,263	334,428
	£14,798,005	£12,832,903
Grants and donations received:		
Buildings	1,343,836	2,313,998
Equipment	7,767	6,369
Released to income and expenditure account:		
Buildings	(280,675)	(338,731)
Equipment	(16,534)	(16,534)
Balance at end of year:		
Buildings	15,536,903	14,473,742
Equipment	315,496	324,263
	£15,852,399	£14,798,005

21 ENDOWMENTS

	2014 Unrestricted Permanent	2014 Restricted Permanent	2014 Total Permanent	2014 Restricted Expendable	2014 Total	2013 Total
Balance at beginning of year:	**£**	**£**	**£**	**£**	**£**	£
Capital	15,374,877	14,246,145	29,621,022	96,417	29,717,439	25,895,624
Unspent income	-	1,111,346	1,111,346	(713)	1,110,633	873,774
	£15,374,877	**£15,357,491**	**£30,732,368**	**£95,704**	**£30,828,072**	£26,769,398
New endowments received	-	1,355,094	1,355,094	50,000	1,405,094	886,673
Restricted expendable donations	-	23,032	23,032	-	23,032	18,965
Income from endowment asset investments	624,891	537,532	1,162,423	713	1,163,136	1,224,884
Expenditure	(624,891)	(403,441)	(1,028,332)	-	(1,028,332)	(1,059,630)
Net transfer from income and expenditure account	-	157,123	157,123	713	157,836	184,219
Bursary Compensation payment	5,623	-	5,623	-	5,623	8,001
Capital grant from Colleges Fund	186,000	-	186,000	-	186,000	182,000
Reclassification	-	96,417	96,417	(96,417)	-	-
Transfer from Reserves - Capital	448,572	75,000	523,572	-	523,572	-
Transfer from Reserves – Unspent income	-	3,000	3,000	-	3,000	-
Increase in market value of investments	687,231	612,243	1,299,474	1,933	1,301,407	2,797,781
	1,327,426	2,298,878	3,626,303	(43,771)	3,582,532	4,058,674
Balance at end of year:						
Capital	16,702,303	16,355,618	33,057,921	51,933	33,109,854	29,717,439
Unspent income	-	1,300,750	1,300,750	-	1,300,750	1,110,633
	£16,702,303	**£17,656,368**	**£34,358,671**	**£51,933**	**£34,410,604**	£30,828,072
Representing:						
Fellowship Funds	-	7,986,386	7,986,386	-	7,986,386	5,975,759
Scholarship Funds	-	2,470,939	2,470,939	-	2,470,939	2,255,910
Prize Funds	-	388,894	388,894	-	388,894	349,738
Hardship Funds	-	4,092,329	4,092,329	-	4,092,329	3,586,567
Travel Grant Funds	-	495,719	495,719	-	495,719	475,720
Other Funds	-	2,222,101	2,222,101	51,933	2,274,034	2,809,501
General Endowments	16,702,303	-	16,702,303	-	16,702,303	15,374,877
	£16,702,303	**£17,656,368**	**£34,358,671**	**£51,933**	**£34,410,604**	£30,828,072

Notes to the Accounts for the year ended 30 June 2014

22 RESERVES

	2014 General reserves	**2014 Pension reserve**	**2014 Total**	2013 Total
	£	**£**	**£**	£
Balance at beginning of year	44,764,625	(2,173,441)	42,591,184	43,198,255
Surplus/(deficit) retained for the year	266,910	(174,466)	92,444	(311,248)
Actuarial loss	-	(795,751)	(795,751)	(658,317)
Increase in market value of investments	185,397	-	185,397	362,494
Transfer to Endowments – Capital	(523,572)	-	(523,572)	-
Transfer to Endowments – Unspent income	(3,000)	-	(3,000)	-
Balance at end of year	£44,690,360	£(3,143,658)	£41,546,702	£42,591,184

23 CAPITAL COMMITMENTS

	2014	2013
	£	£
Commitments contracted for at 30 June:	733,740	5,934,844
Morgan Sindall Plc for refurbishment of Cripps Court		

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES

The College participates in three defined benefit schemes: the Universities Superannuation Scheme (USS), the Cambridge Colleges Federated Pension Scheme (CCFPS) and the Church of England Funded Pension Scheme (CEFPS), as follows:

Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme that is externally funded and 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 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 the 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 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions that 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 that had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES

Universities Superannuation Scheme continued

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 an 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 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 on 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 scheme 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 level measured on a historic gilts basis at that date was approximately 61%.

Notes to the Accounts for the year ended 30 June 2014

PENSION SCHEMES

Universities Superannuation Scheme continued
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 sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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. These became effective from October 2011 and include:

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

Normal Pension Age
The Normal Pension Age was increased to age 65 for future service and new entrants.

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES

Universities Superannuation Scheme continued

Flexible Retirement
Flexible retirement options were introduced.

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

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

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

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.

The total pension cost for the College was £94,482 (2013: £92,648). The contribution rate payable by the College was 16% of pensionable salaries.

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES

Cambridge Colleges Federated Pension Scheme

The College is also a member of another multi-employer defined benefits scheme: the Cambridge Colleges' Federated Pension Scheme. A full valuation is being 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	2013
	% p.a.	% p.a.
Discount rate	4.2	4.6
Expected long-term rate of return on scheme assets	6.2	6.2
Salary inflation assumption	2.8**	2.8*
Retail Prices Index (RPI) assumption	3.3	3.3
Consumer Prices Index (CPI) assumption	2.3	2.3
Pension increases (RPI linked)	3.3	3.3
Pension increases (RPI linked capped at 5% p.a.)	3.1	3.1

*** 1.5% in 2013; 2.8% thereafter**
****1.5% in years 2014 to 2016, 2.8% thereafter**

The underlying mortality assumption is based upon the standard table known as S2 mortality tables for average normal pensioners projected in line with the CMI 2013 projection and a target long-term improvement rate of 1.0% p.a. (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 age 65 now has a life expectancy of 22.3 years (previously 22.0).
- Female age 65 now has a life expectancy of 24.3 years (previously 24.2 years).
- Male age 45 now and retiring in 20 years would have a life expectancy then of 23.6 years (previously 22.9 years).
- Female age 45 now and retiring in 20 years would have a life expectancy then of 25.8 years (previously 25.3).

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	(9,563,110)	(8,115,579)
Market value of Scheme assets	6,419,452	5,942,138
Deficit in the Scheme	**(3,143,658)**	**(2,173,441)**

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
The amounts to be recognised in income and expenditure for the year ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

	2014	2013
	£	£
Current service cost	458,435	367,059
Interest on Scheme liabilities	379,819	314,959
Expected return on Scheme assets	(375,306)	(297,736)
Total	**462,948**	**384,282**
Actual return on Scheme assets	(374,430)	(635,247)

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	8,115,579	6,613,442
Service cost (including Employee contributions)	478,688	386,945
Interest cost	379,819	314,959
Actuarial losses	794,875	995,828
Benefits paid	(205,851)	(195,595)
Present value of Scheme liabilities at end of period	**9,563,110**	**8,115,579**

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	5,942,138	5,209,129
Expected return	375,306	297,736
Actuarial (losses)/gains	(876)	337,511
Contributions paid by the College	288,482	273,471
Employee contributions	20,253	19,886
Benefits paid	(205,851)	(195,595)
Market value of Scheme assets at end of period	**6,419,452**	**5,942,138**

The agreed contributions to be paid by the College for the forthcoming year are 13.38% of Contribution Pay for non salary sacrifice members (19.73% of Contribution Pay for salary sacrifice members) plus £16,792 p.a. to cover expenses, subject to review at future actuarial valuations. These rates exclude PHI.

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
The major categories of Scheme assets as a percentage of total Scheme assets at 30 June 2014 (with comparative figures at 30 June 2013) are as follows:

	2014	**2013**
Equities & Hedge Funds	70%	68%
Bonds & Cash	23%	24%
Properties	7%	8%

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities and hedge funds of 7.0% (2013: 7.0%), an expected rate of return on properties of 6.0% (2013: 6.0%) and an expected rate of return on bonds and cash of 3.8% (2013: 4.0%).

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL) for the 12 months 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	(876)	337,511
Experience losses arising on scheme liabilities	(126,300)	(25,648)
Changes in assumptions underlying the present value of scheme liabilities	(668,575)	(970,180)
Actuarial loss recognised in STRGL	**(795,751)**	**(658,317)**

Cumulative amount of actuarial gains and losses recognised in 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	(1,888,776)	(1,230,459)
Recognised loss during the period	(795,751)	(658,317)
Cumulative actuarial loss at end of period	**(2,684,527)**	**(1,888,776)**

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
Movements in deficit during the year 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	(2,173,441)	(1,404,313)
Service Cost (Employer only)	(458,435)	(367,059)
Contributions paid by the College	288,482	273,471
Finance cost	(4,513)	(17,223)
Actuarial loss	(795,751)	(658,317)
Deficit in scheme at end of period	**(3,143,658)**	**(2,173,441)**

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

Amounts for the current and previous four accounting periods are as follows:	**Year ended 30 June 2014 £**	**Year ended 30 June 2013 £**	**Year ended 30 June 2012 £**	**Year ended 30 June 2011 £**	**Year ended 30 June 2010 £**
Present value of scheme liabilities	(9,563,110)	(8,115,579)	(6,613,442)	(6,050,631)	(6,269,650)
Market value of scheme assets	6,419,452	5,942,138	5,209,129	5,649,954	4,810,778
Deficit in the scheme	**(3,143,658)**	**(2,173,441)**	**(1,404,313)**	**(400,677)**	**(1,458,872)**
Actual return less expected return on scheme assets	(876)	337,511	(986,655)	373,823	288,222
Experience (loss)/gain arising on scheme liabilities	(126,300)	(25,648)	12,584	62,623	36,723
Change in assumptions underlying present value of scheme liabilities	(668,575)	(970,180)	(90,504)	695,042	(802,172)

Notes to the Accounts for the year ended 30 June 2014

24 PENSION SCHEMES (continued)

Church of England Funded Pension Scheme
Until 31 December 2013 the College participated in the Church of England Funded Pensions Scheme (CEFPS) and employed 1 member of the Scheme out of a total membership of approximately 8,500.

The CEFPS is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities – each employer in the Scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, 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% p.a. on gilts and 5.2% on equities;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.; 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 CEFPS, paragraph 9(b) of FRS17 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 College's contribution rate would have been due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% would have been due in respect of the £293m shortfall in the Scheme and 25.8% in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

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

The total pension cost, after personal health insurance contributions, for the year to 30 June 2014 (see note 10) was as follows:

	2014	2013
	£	£
USS: Contributions	94,482	92,648
CCFPS: Charged to income and expenditure account	371,854	291,402
CEFPS: Contributions	3,765	7,392
	£470,101	£391,442

Notes to the Accounts for the year ended 30 June 2014

25 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of its Governing Body, it is inevitable that transactions will take place with organisations in which a member of the Governing Body has an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures.