



**DARWIN COLLEGE  
CAMBRIDGE**

*ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2014*

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Body Corporate:

**The Master and Fellows of Darwin College in the University of Cambridge**

Address:

**Silver Street, Cambridge CB3 9EU**

Charity Registration Number:

**1141105**

Charity Trustees:

The College's Trustees for Financial Year 2013-14 as at 30 June 2014 were:-

**Professor C M R Fowler, *Master***

**Professor M K Jones, *Vice-Master***

**Dr M Cone (*to 30 September 2013*)**

**Dr A Narlikar**

**Dr D Szűcs (*to 14 April 2014*)**

**Professor C M Bishop**

**Dr L E A Howe, *Dean***

**Mr P J Brindle, *Bursar***

**Professor A M Pitts (*from 2 December 2013*)**

Principal Advisers:

**Auditors:**

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

**Bankers:**

Barclays Bank plc (Corporate Banking)  
PO Box 885  
Mortlock House  
Histon, Cambridge CB4 9DE

**Property Managers:**

Maurice Pote *FRICS*  
Styles & Whitlock  
Grosvenor Gardens House  
Grosvenor Gardens  
London SW1W 0BS

Simon Lewis *FRICS DipPB*  
Cheffins, Chartered Surveyors  
Clifton House  
1 & 2 Clifton Road  
Cambridge CB1 7EA

**Fund Managers:**

Cazenove Capital Management Ltd  
12 Moorgate  
London EC2R 6DA

**Solicitors:**

Taylor Vinters  
Merlin Place  
Cambridge CB4 0DP

## **INTRODUCTION**

### **The College**

Darwin College, was founded in 1964 as the University's first graduate college, created an Approved Foundation on 29 January 1965, and incorporated by Royal Charter dated 9 June 1976 as a Body Politic and Corporate under the name and style of *"The Master and Fellows of Darwin College in the University of Cambridge"*. Its business and affairs as an educational foundation and a registered charity are conducted from the main College site at Silver Street, Cambridge CB3 9EU. Changes enacted by The Charities Act 2006 removed, from 30 June 2010, The College's exempt status and its automatic qualification as an educational charity. The College fully registered with The Charity Commission on 4 April 2011 and is now required to demonstrate its contribution to the public benefit documented in the annual report as for any other charitable undertaking in the UK.

### **Aims and Objectives of The College**

The College's strategic purposes are to:

- Promote academic education of the highest quality by both fellows and post-graduate students.
- Foster excellence in learning at post-graduate level.
- Create and nurture a supportive research community for its fellows, graduate students, other members, and visitors.
- Maintain and enhance the endowment, benefactions, buildings, grounds, and facilities of the College for the continuing benefit of current and future generations of members and scholars.

Constant enhancement of the College's financial viability, as an independently chartered institution within a collegiate university, provides a solid foundation for the achievement of these long-term aims.

### **Public Benefit**

The College provides, in conjunction with the University of Cambridge, an educational and support base for over 700 graduate students, and very occasionally undergraduate-status students in specific disciplines; the education is recognised internationally as being of the very highest standard. The teaching and research challenges and develops students academically, fosters leadership qualities and interpersonal skills, and prepares them to play full and effective roles in Society, whether in the UK or in the 70-80 other countries from which the membership is drawn each year. Although only 50 years' old, the College already numbers several Nobel prize winners amongst its Fellows and alumni/ae, the most recent in 2009. In the financial year under consideration, the College members graduating achieved 93 PhDs and 189 Masters-level degrees (2013: 83 and 208 respectively) between them.

In particular the College provides:

- Physical and technical facilities supporting all students in their individual study regimes, extensive teaching for other colleges, and internationally renowned seminar and lecture series;
- Pastoral, administrative (including immigration), and academic support for all students through the Deanery (tutorial), and mentoring systems provided by (and for) Fellows; and

- Social, cultural, musical, recreational and sporting facilities, enabling students to balance fully their academic and personal life and potential whilst studying with The College.

The College advances research by:

- Providing currently over 30 research fellowships and post-doctoral positions to outstanding young academics in the early stages of their careers; these appointments enable them to develop and focus intensively on their major doctoral and early post-doctoral research work, in that crucially formative period prior to their taking on wider academic duties in a full-time teaching post;
- Supporting the work of its other Fellows by creating and promoting international and interdisciplinary contact and lectures;
- Fostering academic networking, and access to and involvement in cutting-edge research, particularly by providing facilities for outstanding academics from other universities in the UK and overseas to make extended stays as Visiting Fellows and Visiting Scholars; and,
- Offering access to invaluable resources for all members of The College, particularly in the provision and maintenance of a Study Centre and Library, and extensive IT facilities.

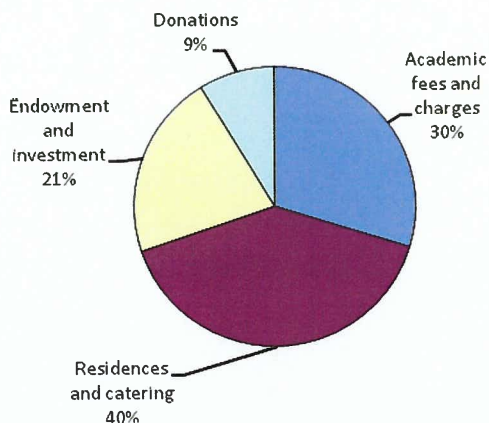
Members of, and academic visitors to, the College, both students and Fellows, are the prime beneficiaries and are directly engaged in education, learning and research.

More widely, other beneficiaries include students and academic staff from other Cambridge colleges and the University of Cambridge. Academics from other higher-education institutions and returning alumni/ae members of the College are given opportunities to undertake interdisciplinary research and establish contacts, attend educational events at The College, and make extended use of its academic facilities; in parallel, the wider public is encouraged to attend certain educational activities provided by the College such as lectures, seminars and concerts. These activities serve to reinforce and underpin life-long learning. A particular example is the Annual Darwin Lecture Series, running for eight weeks each Lent Term, and often attracting audiences in excess of 1100 academics, students, and local townspeople for individual lectures within each series.

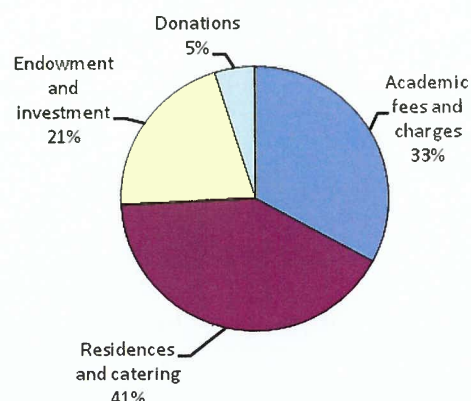
## Funding

The College funds its activities through academic fees, by charging for student accommodation and catering services, from investment income, and through individual and corporate donations and bequests.

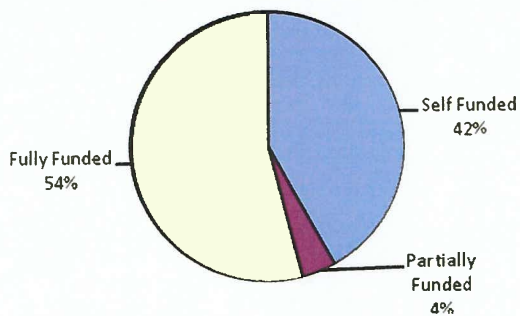
**Income 2013/14 £ 4,067,948**



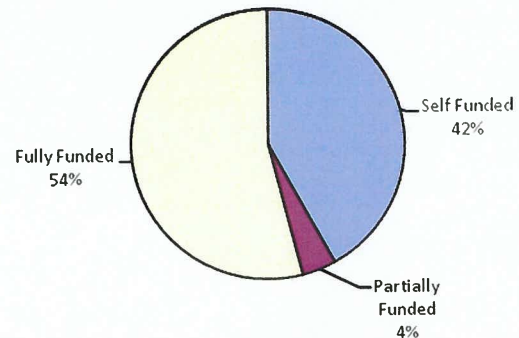
**Income 2012/13 £3,746,447**



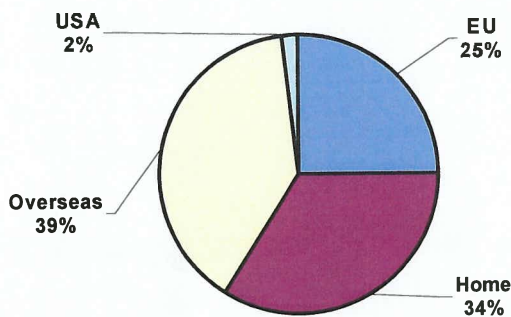
Graduates by Fee Type 2013/14



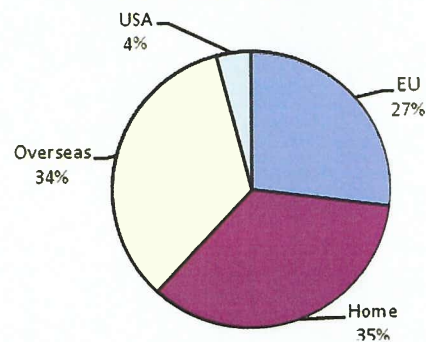
Graduates by Fee Type 12/13



Graduates by Region 2013/14



Graduates by Region 12/13



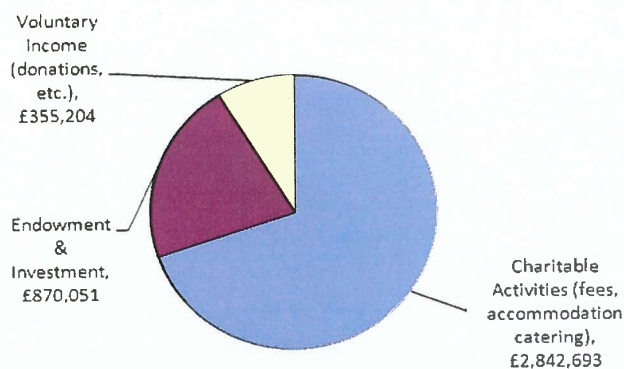
In order to assist graduates (and rare undergraduates entitled to Student Support) The College provides direct financial support to those of limited financial means by various methods; schemes are operated with the University, with other colleges, the Cambridge Commonwealth and Overseas Trusts, and the Isaac Newton Trust, and other support is found directly from The College's own Bursary funds. These schemes are widely advertised on University websites and in Prospectuses.

## ACHIEVEMENTS AND PERFORMANCE

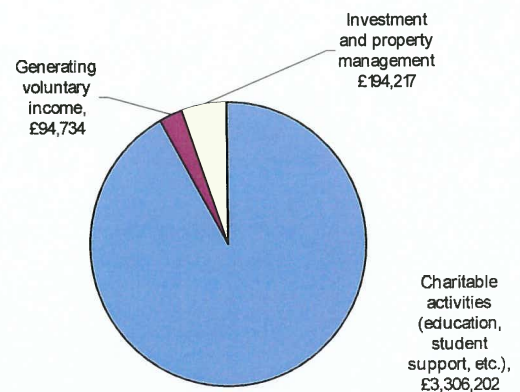
### Financial Overview

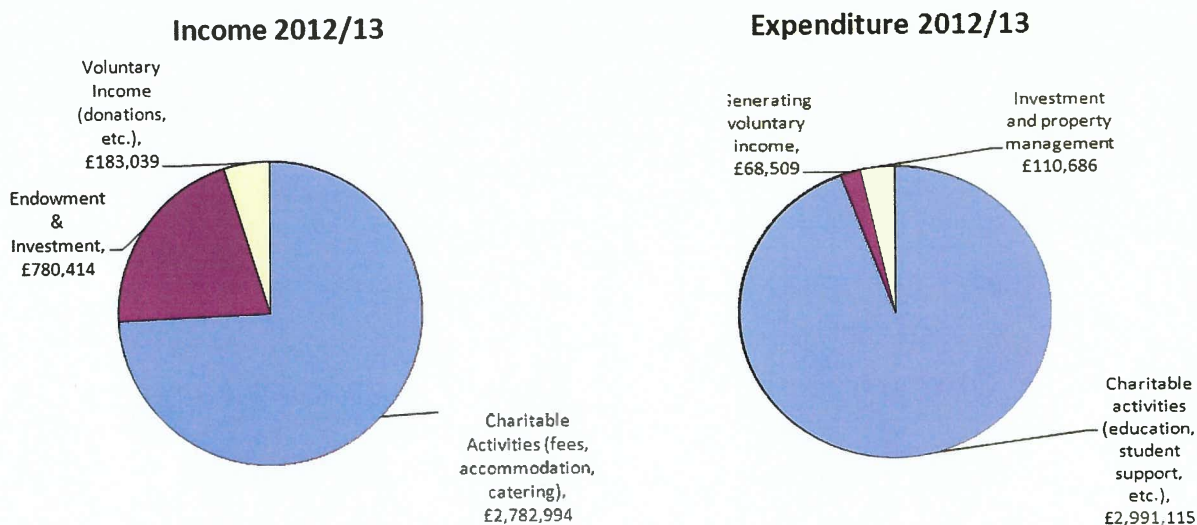
As the *Income & Expenditure Account* (p16) shows, The College realized an operating surplus of £472,795 (2013: £576,136). After accounting for transfers, subventions and depreciation, the net surplus for the year totalled £337,236 (2013: £492,148).

Income 2013/14



Expenditure 2013/14





The 2013/14 calendar year showed stronger growth in developed markets during the first half year with some markets, particularly The UK, continuing this momentum into the second half year. Despite some distortion of economic data through poor weather in the US the markets continued gradual improvement and as at 30 June 2014 the generally increased confidence saw the total endowment rise (p18) by £1,380,519 from £19,853,003 to £21,233,522; increases in the market valuation of investments were boosted by an injection of capital from a Colleges' Fund grant and shares donated to General Funds. Unrestricted, non-endowment funds are shown in the accounts as *Reserves*; these have increased by £353,508 to £25,018,120, despite the actuarial loss on the College pension scheme of £271,624 (p17).

The cost of collegiate support for the student members and alumni of the College totalled £1,661,236. Academic fees and charges received to part-finance that support reached £1,202,972. The shortfall of £458,264 is funded from other general college income, a subsidy of c£890 for each fee paying student. The College continues to support between 20 and 40 stipendiary and non-stipendiary research, post-doctoral and other visiting fellows and senior members, and additionally allotted some £123,170 in the year (2013: £105,700) to help provide direct professional counselling support for students and alleviate in the form of grants, awards and loans other specific individual financial hardship.

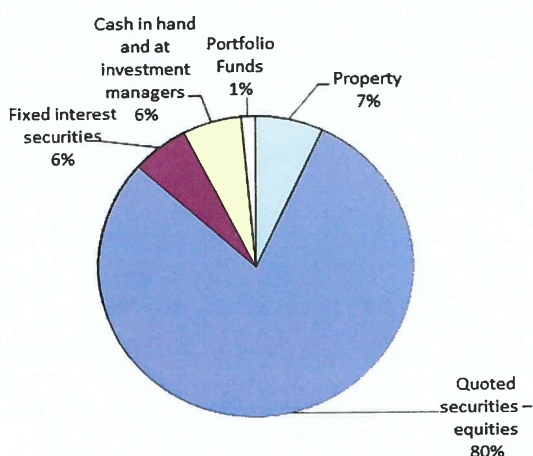
### **Benefactions and Donations**

The College continues to be most grateful for donations and bequests (including royalties), accruing from Darwinians and others. During the year, an initial donation of £10,086 was received from Professor L Keller and Mr S Yakas to create a permanent student travel scholarship and a further major share benefaction of £200,433 was received from Richard and Anne King. Other general donations of c£53,000 are included in the operating surplus.

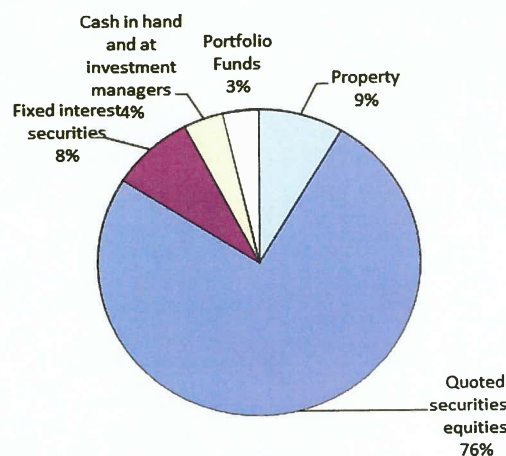
### **Endowment and Investment Performance**

The total value of College endowment and market investments increased by £4,868,846 to £28,376,847, of which £3,455,433 related to donated shares and the re-investment of capital and raised funds in the equity portfolio. There was an increase of £4,728,199 in the equity portfolio. The valuation of the equity portfolio at the year end was £23,805,448 (2013: £19,077,249) including the creation of an additional portfolio investing funds raised through a private placement.

**Investment allocation at 30 June 2014**



**Investment allocation at 30 June 2013**



Dividend and trading income received in year was significantly above that for the previous year benefitting from some ‘windfall’ distributions; unencumbered quoted securities income for the year was £560,662 (2013: £467,726)

### Capital Expenditure

There were no major capital projects undertaken on domus during 2013/14; funds were allocated and spent on non-capital refurbishment projects. As reported last year the College acquired a proportional freehold interest – with 3 other colleges – in the property at Miller's Yard, Mill Lane. This property is intended to be refurbished into graduate en-suite rooms possibly over the next 2 years, but this has to be achieved in concert with major redevelopment of adjacent areas, under the Cambridge City Local Plan and the University's Master Plan for the area.

### Building Renewals and Maintenance

The College spent a total of £181,000 on general building repairs during the year. In addition, £215,000 was incurred on the final phase of gyp and shower room refurbishments of the Rayne Building. Some £47,000 was spent on grounds and gardens, including the removal of various trees.

### Pensions

The College has members of staff in two pension schemes: the Universities' Superannuation Scheme (USS) and the Cambridge Colleges' Federated Pension Scheme (CCFPS). Full actuarial details are included at Note 25 to the Accounts.

- USS

The USS last underwent a full actuarial review in 2011. Employer contributions remained at 16% during the year.

- CCFPS

The latest actuarial review of the CCFPS was produced as at 30 June 2014. At the review point, albeit as an actuarial snapshot, the position for the Pension fund had considerably worsened, in the main through changes in the FRS17 assumptions, in particular significant lowering of the discount rate. As a result, the stated shortfall on The College's portion of the Scheme increased to £1,071,421 (2013: £746,721). In parallel, the investment value decreased by -£271,624 (2013: -£203,511). There was no change in Employees' contributions of 5%. The College also retained a voluntary salary sacrifice scheme for those in the pension scheme.



## **Reserves Policy**

Mainly as a result of improved equity market conditions, the net position of The College's total reserves has increased to just under £47 millions (p18), comprising restricted funds of £6.5 millions and unrestricted funds of £40.1 millions.

The College is advised, via the Finance and Investments Committees, by its fund managers and several independent external members co-opted to the Investments Committee. It views its investments strategically over the long term. The driving aim is, first, to protect and, then, to increase the value of the College over that extended period, whilst seeking an equitable funding balance between the interests and aspirations of present members and those yet to come, and the retention of an ability to cope with sudden unforeseen financial upheavals and opportunities. The rise in the markets underpinned this aim in the financial year under review.

Actual charitable donations are recognised on receipt or, notionally, where there is certainty of future receipt and the value can be measured reliably. Donations with no substantial restrictions are treated 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 shown in the *Statement of Total Recognised Gains and Losses* as new endowments.

Grants and donations received for the purposes of funding depreciable assets 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.

## **Principal Risks and Uncertainties**

Major risks to which the College is or may be exposed from time to time are reviewed regularly by all College committees within their terms of reference, and reported to College Council and Governing Body. Systems are in place, or are then established, to remove or mitigate risks as they are identified.

## **Plans for the future**

The College reached its 50<sup>th</sup> Anniversary in 2014. Graduate student numbers have increased significantly over the last few years, and The College has to try to support this rapidly increasing population to the best of its abilities and resources. For these reasons, we are seeking to make major increases in our accommodation resources in the medium-term.

Our immediate hope is to offer a reasonable number of continuing students a chance to remain in College accommodation for a second year; the long-term – and quite difficult – aim is to be able to guarantee at least 2 years in college accommodation for every student member. With our immediate aim in mind, The College purchased, with 3 other colleges, a building situated within the University's Old Press Site in the Mill Lane area, immediately to the East of the main College site. This project is currently complicated by the need to co-ordinate the proposals for development with University and City plans, but would realise over 80 rooms on current designs if successful.

With a view to support the long-term aim, The College has, in our second project, now also associated itself with two further colleges to examine possible development of another larger satellite accommodation site some 10 minutes from The College. This would produce around 110 modern *en suite* rooms in an identifiable building. Both of these projects offer potential for a strategic increase (almost 80%) in the broader provision of accommodation facilities for future students; however, they also present problems arising from Planning issues, particularly with pressures on the City Council to produce over 14,000 family – not student – accommodation units across Cambridge by 2030.

A third scoping study is planned to examine whether some acceptable extensions might be possible to the rear of the Newnham Terrace accommodation buildings, now that The College owns the full run of the Terrace. We maintain a watching brief on the University's development of land in NW Cambridge, but currently find the indicative costs and charges for rental or purchase there to be well beyond our budget.

The College continues its constant search for ways to generate income and funding to improve its general facilities, to provide financial support for current and additional research fellowships, and to be able to offer bursarial and hardship support for student members as needed. These areas will form the main objectives of The College's expanding development and fundraising intentions for the next 5 years. To this end, it is intended that an Endowment Appeal will be launched to mark the 50th Anniversary Year and begin to look to the opportunities of the next half century by building on the Anniversary as an active way to re-engage with current and past college members.

### **Corporate Governance**

The following statement is provided by the Trustees to enable readers of the financial statements to obtain a better understanding of the management of The College's resources and audit oversight.

The College is a registered charity (Registered Number 1141105) and subject to regulation by the Charity Commission for England and Wales. The College Council provides the trustees of the charity and they are responsible for ensuring compliance with charity law. The Trustees are advised in meeting those duties by a number of Committees, and internal and external professionally qualified advisers. Members of The College Council forming the Trustee Body during the year to 30 June 2014 are indicated at Page 1.

The Principal Officers of the College during the year were:

<i>Master:</i>	Professor C M R Fowler
<i>Vice-Master:</i>	Professor M K Jones
<i>Dean:</i>	Dr L E A Howe
<i>Bursar:</i>	Mr P J Brindle

The Governing Body, comprising The Master and Fellows under Titles A, C, D, and E, holds at least six meetings a year, with the November meeting being the Annual Meeting.

The College Council comprises The Master, Vice-Master, Dean, and Bursar ex-officio, and four Fellows elected at Annual Meetings of The Governing Body. The current Student Association President attends ex-officio, and two further student members are elected directly by the student body each year. The College Council meets on a regular basis throughout the year and is responsible for the everyday administration of The College in all matters not allocated by Statute to The Governing Body or the Finance Committee. The College Council makes regular reports to each meeting of The Governing Body.

The Finance (and Investments) Committee, composed of the Master, Vice-Master, and Bursar ex-officio, and three Fellows elected by The Governing Body to serve from the beginning of a given academic year, manages The College investments and, with a directly elected student representative, controls and administers the revenues and expenditures in accordance with College Statutes, Ordinances, and the Charities Act. When acting as The Investment Committee, the membership is reinforced by 3-4 external members, and The College's brokers are in attendance.

It is a specified duty of The Finance Committee to keep under constant review the effectiveness of The College's internal systems of financial and other controls; to advise the Trustees on the appointment of external auditors; to give initial consideration to reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; and to make periodic formal Reports to the Trustees and Governing Body.

The members of the Finance Committee as at 30 June 2014 were:

Professor C M R Fowler	<i>Master</i>	
Professor M K Jones	<i>Vice-Master</i>	
Mr P J Brindle	<i>Bursar</i>	
Dr A T Grounds	<i>Official Fellow</i>	
Dr E F Shuckburgh	<i>Official Fellow</i>	
Dr G J van der Wal	<i>(from 1 October 2013)</i>	<i>Research Fellow</i>
Mr T Richter	<i>(Academic Year 2013-14)</i>	<i>Student Representative</i>

Registers of Interests are maintained for the Trustees, members of the Finance Committee, and Heads of College Departments. Declarations of Interest is a formal agenda item at the beginning of every College meeting. The Finance and Investment Committees report regularly to The College Council and Governing Body.

Those members of the Fellowship elected by the Governing Body to serve on the College Council as Trustees are briefed by The Bursar on the nature and scope of their duties. External training is funded for trustees by The College on request when available and appropriate. Each trustee is provided with the current relevant documentation issued by the Charity Commission relating to the duties and responsibilities of trustees and advised of the web-based information that is also available through the Commission and a variety of other sources.

The Trustees and Governing Body formally delegate responsibility to the relevant individual or committee identified by Statute and Ordinance for the identification of individuals to be recommended for appointment to a position in The College, or to receive grants or other financial support from college assets. The identification of new Official and Research Fellows is delegated to The Fellowships Committee, under Statute XVI; that Committee identifies and interviews candidates and recommends the appointment of new Official and stipendiary or non-stipendiary research fellows to The Governing Body. The Dean is appointed under Statute VII as the responsible authority for the supervision and implementation of all tutorial responsibilities affecting student members of The College. The Dean is required to report regularly and formally to the College Council and Governing Body on the fulfilment of these duties.

### **Statement on Internal Control**

The Trustees are responsible for ensuring a sound system of internal control to achieve the charity's aims and objectives and the implementation of College policy, while safeguarding public and other funds and assets for which the charity holds responsibility, in accordance with College Statutes and Ordinances, and The Charities Act 2006.

The systems of internal control are designed to identify the principal risks bearing on the achievement of aims, objectives and policies, to evaluate the nature and extent of those risks, and to ameliorate and control them efficiently, effectively and economically. The systems of internal control are structured realistically to identify and control most of the risks of failure to achieve aims, objectives and policies, rather than attempt to eliminate risk entirely; it therefore provides reasonable, but not absolute, assurance of effectiveness. These processes were in place for the year ended 30 June 2014 and throughout the period to the date of approval of the financial statements.

The Trustees are responsible for reviewing the effectiveness of the systems of internal control. The Trustees' continual review of the effectiveness of the systems is informed by the work of the various Committees, The Bursar, and the College Officers who hold responsibility for the development and application of an internal control framework and for the investigation and resolution of any comments raised by the external auditors in their post audit and other reports.

### **General Responsibilities of the Trustees**

The Trustees are responsible for the preparation of the Annual Report and financial statements in accordance with applicable law and having regard to United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College Statutes and Ordinances, and those of the University of Cambridge, require The Governing Body 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 Trustees are required to:

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

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

**Approved by the Trustees on 19 November 2014.**

A handwritten signature in black ink, appearing to read 'P J Brindle', written over a horizontal line.

**P J Brindle**

*Bursar, Trustee, and member of The Governing Body*

## **Introduction**

We have audited the financial statements of Darwin College for the year ended 30 June 2014 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the 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 Trustees, as a body, in accordance with College's Statutes and the Statutes of the University of Cambridge and with section 144 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 Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees Responsibilities Statement set out on page 10, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 144 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Trustees' 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 College's affairs as at 30 June 2014 and its 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 and the Statutes of the University of Cambridge; and

***Independent Auditors' Report to the Trustees of Darwin College  
For the year ended 30 June 2014***

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- 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 Trustee'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*

**PETERS ELWORTHY & MOORE**  
*Chartered Accountants and Statutory Auditors*

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

Date: *2 December 2014*

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

### **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 7.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments and certain land and buildings.

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

#### *Donations and benefactions*

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

#### *Capital grants and donations*

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

#### *Other income*

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

#### *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**

### *Land and buildings*

Buildings are stated at depreciated replacement costs as at 1 July 2002 with subsequent additions at cost.

Freehold land is not capitalized.

Buildings are depreciated at 2% per annum.

Where buildings are acquired with the aid of specific bequests or donations they are capitalized and depreciated as above. The related benefactions are credited to a deferred capital account and are released to the Income and Expenditure Account at the rate of 2% per annum.

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.

Where buildings are used for mixed operational and investment purposes and where such a building is separable into distinct parts for the different uses then each part is valued and accounted for separately according to its use.

### *Maintenance of premises*

The cost of major refurbishment and maintenance which restores value is capitalized and depreciated at the rate of 2% per annum.

### *Furniture, fittings and equipment*

Furniture, fittings and equipment in excess of £10,000 are capitalized and depreciated at the rate of 20% per annum.

### *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. In line with the accounting policy in respect of equipment, the threshold for capitalising assets is £10,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

## **Investments**

Fixed asset investment and endowment assets are included in the balance sheet at market value, except for investments in mixed properties which are included in the balance sheet on the same basis as tangible fixed assets.

## **Stocks**

Stocks are stated 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 benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



### **Taxation**

The College is a registered charity (number 1141105) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

### **Contribution under Statute G, II**

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

***Income and Expenditure Account for the year ended 30 June 2014***

		2014 £	2013 £
<b>Income</b>	Note		
Academic fees and charges	1	1,209,781	1,233,327
Residences and Catering	2	1,632,912	1,549,667
Endowment Income	3	870,051	780,414
Donations	4	355,204	183,039
<b>Total Income</b>		<u>4,067,948</u>	<u>3,746,447</u>
<b>Expenditure</b>			
Education	5	1,566,502	1,414,149
Residences and Catering	6	1,739,700	1,576,966
Other expenditure		288,951	179,196
<b>Total Expenditure</b>	7	<u>3,595,153</u>	<u>3,170,311</u>
<b>Operating Surplus</b>		472,795	576,136
<b>Total Contribution under Statute G, II</b>		-	-
		<u>472,795</u>	<u>576,136</u>
<b>(Deficit) for the year transferred to accumulated income within Endowment Funds</b>		<u>(135,559)</u>	<u>(83,988)</u>
<b>Surplus for the year retained within General Reserves</b>		<u>337,236</u>	<u>492,148</u>

All of the activities of the College are classed as continuing.

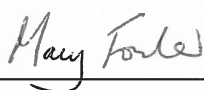
***Statement of Total Recognised Gains and Losses for the year ended 30 June 2014***

	<b>Restricted Funds £</b>	<b>Unrestricted Funds £</b>	<b>Total 2014 £</b>	<b>Total 2013 £</b>
Retained surplus on income and expenditure account		337,236	337,236	492,148
Unspent endowment fund income	135,559		135,559	83,988
Increase /(decrease) in market value of investment: Endowment assets	346,707	926,063	1,272,770	2,349,538
New endowments	10,086		10,086	175,000
Capital grant from colleges' fund		250,000	250,000	265,000
Actuarial (loss)/gain on pension scheme		(271,624)	(271,624)	(203,511)
<b>Total recognised gains/(losses) for the year</b>	<b>492,352</b>	<b>1,241,675</b>	<b>1,734,027</b>	<b>3,162,163</b>
Opening reserves and endowments	5,686,406	38,831,209	44,517,615	41,355,452
Total recognised gains/(losses) for the year	492,352	1,241,675	1,734,027	3,162,163
<b>Closing reserves and endowments</b>	<b>6,178,758</b>	<b>40,072,884</b>	<b>46,251,642</b>	<b>44,517,615</b>

**Balance Sheet for the year ended 30 June 2014**

		College			
		2014	2013		
		£	£		
	Note				
<b>Fixed Assets</b>					
Tangible Assets	9	22,219,940	21,018,051		
Investment Assets	10	7,143,329	3,654,999		
		<u>29,363,269</u>	<u>24,673,050</u>		
Endowment Assets	11	21,233,518	19,853,002		
<b>Current Assets</b>					
Stock		39,637	36,464		
Debtors	12	264,900	233,157		
Cash	13	2,957,177	3,847,333		
		<u>3,261,714</u>	<u>4,116,954</u>		
<b>Creditors: amounts falling due within one year</b>	14	<u>3,228,742</u>	<u>3,066,434</u>		
<b>Net Current Assets/ (Liabilities)</b>		<u>32,972</u>	<u>1,050,520</u>		
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(3,000,000)</u>	<u>-</u>		
<b>Total Assets Less Current Liabilities</b>		<u>47,629,759</u>	<u>45,576,572</u>		
<b>Net Assets excluding Pension Liability</b>		47,629,759	45,576,572		
<b>Pension Liability</b>	16	<u>(1,071,421)</u>	<u>(746,721)</u>		
<b>Net Assets</b>		<u>46,558,338</u>	<u>44,829,851</u>		
		<b>Restricted funds</b>	<b>Unrestricted funds</b>	<b>2014 Total</b>	<b>2013 Total</b>
		£	£	£	£
<b>Deferred capital grants</b>	17	<u>306,696</u>		<u>306,696</u>	<u>312,236</u>
<b>Endowments</b>					
Expendable endowments	18				
Permanent endowments	18	<u>6,178,758</u>	<u>15,054,764</u>	<u>21,233,522</u>	<u>19,853,003</u>
		6,178,758	15,054,764	21,233,522	19,853,003
<b>Reserves</b>					
General reserves excluding pension reserve	19		26,089,541	26,089,541	25,411,333
Pension reserve	25		<u>(1,071,421)</u>	<u>(1,071,421)</u>	<u>(746,721)</u>
			<u>25,018,120</u>	<u>25,018,120</u>	<u>24,664,612</u>
<b>Total General Reserves and Endowments</b>		6,178,758	40,072,884	46,251,642	44,517,615
<b>Total funds</b>		<u>6,485,454</u>	<u>40,072,884</u>	<u>46,558,338</u>	<u>44,829,851</u>

These accounts were approved by The Trustees on 19 November 2014; they were endorsed by The Governing Body at its Annual Meeting on 1 December 2014, and are so signed on its behalf by:



Professor C M R Fowler MA, PhD, FRAS, FGS  
Master, and Trustee

**Cash Flow Statement for the year ended 30 June 2014**

	Note	2014 £	2013 £
<b>Net Cash Inflow from Operating Activities</b>	20	(107,337)	27,935
<b>Returns on Investments and Servicing of Finance</b>	21	1,146,180	963,453
<b>Capital Expenditure and Financial Investment</b>	21	(4,219,023)	2,118
<b>Net cash inflow/(outflow) before management of liquid resources</b>		<u>(3,180,180)</u>	<u>993,506</u>
<b>New loan</b>		3,000,000	-
<b>(Decrease)/ increase in cash in the year</b>		<u>(180,180)</u>	<u>993,506</u>
<b>Reconciliation in net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		(180,180)	993,506
New loan		<u>(3,000,000)</u>	<u>-</u>
<b>Change in net funds</b>		<u>(3,180,180)</u>	<u>993,506</u>
Net funds at beginning of year		4,674,646	3,681,140
<b>Net funds at end of year</b>		<u><u>1,494,466</u></u>	<u><u>4,674,646</u></u>

**1 Academic fees and Charges**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
College Fees:		
Fee income paid on behalf of Undergraduates at the Publicly-funded Undergraduate rate ( <i>per capita</i> fee £4,068)	4,068	7,904
Privately-funded Undergraduate fee income ( <i>per capita</i> fee £4,956)	47,082	32,080
Fee income received at the Graduate fee rate ( <i>per capita</i> £2,424)	1,151,822	1,181,720
Other	6,809	11,623
Total	<u>1,209,781</u>	<u>1,233,327</u>

**2 Income from Residences and Catering**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Accommodation – college members	1,360,651	1,304,633
Catering – college members	272,261	245,034
Total	<u>1,632,912</u>	<u>1,549,667</u>

**3 Endowment and investment income**

	<b>2014</b>	<b>2013</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Land and Buildings	69,699	67,967
Quoted Securities	774,209	644,036
Other interest receivable	26,143	68,411
Total	<u>870,051</u>	<u>780,414</u>

**4 Donations**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Unrestricted donations	253,898	146,034
Restricted donations	94,268	29,997
Released from deferred capital grants	7,038	7,008
Total	<u>355,204</u>	<u>183,039</u>

**5 Education Expenditure**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Teaching	95,137	86,701
Tutorial	274,617	251,397
Admissions	423,701	376,439
Research	286,152	256,783
Scholarships and Awards	94,016	84,294
Other Educational Facilities	392,879	358,535
Total (Note 7)	<u>1,566,502</u>	<u>1,414,149</u>

**6 Residences and Catering Expenditure**

	2014 £	2013 £
Accommodation – college members	1,108,235	1,002,118
Catering – college members	631,465	574,848
Total (Note 7)	<u>1,739,700</u>	<u>1,576,966</u>

**7 Analysis by Activity**

7a Analysis of 2014 Expenditure by Activity	Staff Costs (Note 8) £	Other Operating Expenses £	Depreciation £	Total £
Education (Note 5)	621,275	762,086	183,141	1,566,502
Residences and Catering (Note 6)	737,760	661,817	340,123	1,739,700
Other	97,462	191,489	-	288,951
Totals	<u>1,456,497</u>	<u>1,615,392</u>	<u>523,264</u>	<u>3,595,153</u>

Expenditure includes fundraising costs of £94,734. This expenditure includes the costs of alumni relations.

7b Analysis of 2013 Expenditure by Activity	Staff Costs (Note 8) £	Other Operating Expenses £	Depreciation £	Total £
Education (Note 5)	586,707	644,299	183,143	1,414,149
Residences and Catering (Note 6)	692,694	544,150	340,122	1,576,966
Other	88,315	90,881	-	179,196
Totals	<u>1,367,716</u>	<u>1,279,330</u>	<u>523,265</u>	<u>3,170,311</u>

Expenditure includes fundraising costs of £68,509. This expenditure includes the cost of alumni relations.

7c Auditors' remuneration	2014 £	2013 £
Other operating expenses include: Audit fees payable to colleges external auditors	<u>15,750</u>	<u>15,750</u>

**8 Staff**

	College Fellows 2014 £	Academics 2014 £	Non- Academics 2014 £	Total 2014 £	Total 2013 £
<b>Staff Costs</b>					
Emoluments (including non-staff)	159,574		1,046,339	1,205,913	1,159,780
Social Security Costs	12,787		74,505	87,292	83,269
Other Pension Costs	19,013		144,279	163,292	124,667
Totals	<u>191,374</u>		<u>1,265,123</u>	<u>1,456,497</u>	<u>1,367,716</u>

**Notes to the Accounts for the year ended 30 June 2014**

<b>8 Staff (continued)</b>	<b>No. 2014</b>	<b>No. 2013</b>
Academic	-	-
Non-Academic	47	45
	<u>47</u>	<u>45</u>

The Trustees comprise up to 8 Fellows, of which 5 are stipendiary officers of The College and received remuneration of £161,859. The Trustees receive no emoluments in their role as trustees of the charity.

**9 Fixed Assets****9a Tangible Fixed Assets**

<b>Cost/Valuation</b>	<b>College Buildings and Site £</b>	<b>Assets Under construction £</b>	<b>Fixtures, Fittings &amp; Equipment £</b>	<b>Total £</b>
As at 1 July 2013	26,039,650	-	16,783	26,056,433
Additions	-	1,725,153	-	1,725,153
	<u>26,039,650</u>	<u>1,725,153</u>	<u>16,783</u>	<u>27,781,586</u>
Cost/Valuation as at 30 June 2014	<u>26,039,650</u>	<u>1,725,153</u>	<u>16,783</u>	<u>27,781,586</u>
<b>Depreciation</b>				
As at 1 July 2013	5,035,024	-	3,358	5,038,382
Provided for the Year	519,907	-	3,357	523,264
	<u>5,554,931</u>	<u>-</u>	<u>6,715</u>	<u>5,561,646</u>
Depreciation as at 30 June 2014	<u>5,554,931</u>	<u>-</u>	<u>6,715</u>	<u>5,561,646</u>
<b>Net Book value</b>				
At 30 June 2014	<u>20,484,719</u>	<u>1,725,153</u>	<u>10,068</u>	<u>22,219,940</u>
At 30 June 2013	<u>21,004,626</u>	<u>-</u>	<u>13,425</u>	<u>21,018,051</u>

The insured value of Freehold Land and Buildings at 30 June 2014 was £26,146,202.

**9b Heritage assets**

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. Most of these are housed within the main College building and archive library, those items not on general display can be accessed by the wider public by prior arrangement. On occasion objects may be loaned to other institutions for public display. The College holds a number of artefacts on long-term loan from the Darwin Heirloom Trust. These objects are insured by the College and managed in agreement with the trust. The objects within College care are preserved, conserved and managed in accordance with recognised national standards. The College acquires heritage assets principally through donation but occasionally, when resources become available, through purchase. Subject to the approval of the Trustees, the College may dispose of objects held.

As stated in the statement of principal accounting policies, heritage assets acquired since 1 July 1999 are capitalised. Currently all of the 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 no heritage assets have been included in the balance sheet.



**10 Investments**

	2014 £	2013 £
Balance at beginning of year	20,858,846	17,600,787
Additions	8,177,885	8,025,216
Disposals	(5,422,430)	(7,643,384)
Appreciation/(depreciation)	1,272,770	2,349,538
Transfer to Fixed Assets (note 9a)	-	(1,675)
Increase/(Decrease) in cash balances held at fund managers	709,976	528,364
	<u>25,597,047</u>	<u>20,858,846</u>
Balance at end of year		
Represented by:		
Property	1,781,598	1,781,598
Quoted securities – equities	20,389,036	15,771,651
Fixed interest securities	1,505,794	1,740,357
Cash in hand and at investment managers	1,537,287	827,311
Other	10,000	-
Portfolio Funds	373,331	737,929
	<u>25,597,046</u>	<u>20,858,846</u>
Allocated as follows:		
Fixed Asset Investments	7,143,329	3,654,999
Endowment Assets (note 11)	18,453,717	17,203,847
	<u>25,597,046</u>	<u>20,858,846</u>

**11 Endowment Assets**

	2014 £	2013 £
Long term investments:		
Property	300,000	300,000
Quoted securities – equities	14,737,305	13,598,250
Fixed interest securities	1,505,794	1,740,357
Cash in hand and at investment managers	1,537,287	827,311
Portfolio Funds	373,331	737,929
	<u>18,453,717</u>	<u>17,203,847</u>
Loan to General Reserves	2,779,801	2,649,155
	<u>21,233,518</u>	<u>19,853,002</u>

**12 Debtors**

	2014 £	2013 £
Members of The College	34,763	34,738
Rents	2,472	2,472
Other debtors	227,665	195,947
	<u>264,900</u>	<u>233,157</u>

**13 Cash**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Short-term Money Market Investments	1,766,419	2,697,008
Bank and Building Society Accounts	1,189,781	1,149,267
Cash in hand	977	1,058
	<u>2,957,177</u>	<u>3,847,333</u>

**14 Creditors: amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade creditors	295,704	232,370
Members of the college	77,623	123,143
University fees	43,544	29,956
Other creditors	32,070	31,810
Loan from endowment funds	2,779,801	2,649,155
	<u>3,228,742</u>	<u>3,066,434</u>

**15 Creditors: amounts falling due after more than one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Private Placement	<u>3,000,000</u>	<u>-</u>

During 2013-14, the College has borrowed from institutional investors collectively with other colleges, the College's share being £3 million. The loans are unsecured and repayable during the period 2043-2053, and are at fixed-interest rates of approximately 4.4%. The College has agreed a financial covenant of its ratio of Borrowings to Net Assets, and has been in compliance with the covenant at all times since incurring the debt.

**16 Pension liabilities**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Balance at beginning of year	746,721	521,530
Movement in year:		
Current service cost including life assurance	148,387	110,230
Contributions	(101,131)	(98,535)
Other finance cost/ (income)	5,820	9,985
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	271,624	203,511
	<u>1,071,421</u>	<u>746,721</u>

**17 Deferred capital grants**

	<b>Donations £</b>	<b>2014 Total £</b>	<b>2013 Total £</b>
Balance at beginning of year:			
Buildings	312,236	312,236	317,413
Grants and donations received:			
Buildings	1,498	1,498	1,831
Released to income and expenditure account:			
Buildings	(7,038)	(7,038)	(7,008)
Balances at end of year			
Buildings	<u>306,696</u>	<u>306,696</u>	<u>312,236</u>

*Notes to the Accounts for the year ended 30 June 2014*

18 Endowments	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2014 Total £	2013 Total £
	£	£	£	£	£	£
<b>Balance at beginning of year:</b>						
Capital	14,166,597	3,443,292	17,609,889		17,609,889	15,432,970
Unspent income		2,243,114	2,243,114		2,243,114	1,815,445
New endowments received	250,000	10,086	260,086		260,086	440,000
Income receivable from endowment asset investments		311,050	311,050		311,050	256,435
Expenditure		(175,491)	(175,491)		(175,491)	(172,447)
Net transfer from income and expenditure account		135,559	135,559		135,559	83,988
(Decrease)/increase in market value of investments	638,167	346,707	984,874		984,874	2,080,600
<b>Balance at end of year</b>	<b>15,054,764</b>	<b>6,178,758</b>	<b>21,233,522</b>		<b>21,233,522</b>	<b>19,853,003</b>
Comprising:						
Capital	15,054,764	3,604,968	18,659,732		18,659,732	17,609,889
Unspent income		2,573,790	2,573,790		2,573,790	2,243,114
Balance at end of year	15,054,764	6,178,758	21,233,522		21,233,522	19,853,003
<b>Representing</b>						
Fellowship Funds		3,276,196	3,276,196		3,276,196	3,053,139
Scholarship Funds		1,642,970	1,642,970		1,642,970	1,520,195
Bursary Funds		877,999	877,999		877,999	757,422
Travel Grant Funds		196,656	196,656		196,656	183,308
Other Funds		184,937	184,937		184,937	172,342
General endowments	15,054,764		15,054,764		15,054,764	14,166,597
College total	15,054,764	6,178,758	21,233,522		21,233,522	19,853,003

19 Reserves	General reserves £	2014 Total £	2013 Total £
Balance at beginning of year	24,664,612	24,664,612	24,107,037
Surplus retained for the year	337,236	337,236	492,148
Actuarial (loss)/gain	(271,624)	(271,624)	(203,509)
Increase/(decrease) in market value of investments	287,896	287,896	268,936
Balance at end of year	<u>25,018,120</u>	<u>25,018,120</u>	<u>24,664,612</u>
<b>20 Reconciliation of consolidated operating surplus to net cash inflow from operating activities</b>			
		2014 £	2013 £
Surplus on continuing operations before donations of heritage assets		472,795	576,136
Depreciation of tangible fixed assets		523,264	523,265
Deferred capital grants released to income		(7,038)	(7,008)
Investment income		(1,225,255)	(963,453)
Interest payable		79,075	-
Pension costs less contributions payable		(271,624)	(203,511)
(Increase)/decrease in stocks		(3,173)	(3,565)
(Increase)/decrease in debtors		(31,743)	(90,148)
Increase/(decrease) in creditors		356,362	196,220
<b>Net cash inflow from operating activities</b>		<u>(107,337)</u>	<u>27,935</u>
<b>21 Cash flows</b>			
		2014 £	2013 £
<b>Returns on investments and servicing of finance</b>			
Endowment and investment income received		1,089,696	879,466
Retained Endowment Income		135,559	83,987
Interest paid		(79,075)	-
Net cash inflow from returns on income and servicing of finance		<u>1,146,180</u>	<u>963,453</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,725,152)	(57,881)
Donations for buildings and other deferred capital grants received		1,498	1,831
Net purchase of long-term investments		(2,755,455)	(381,832)
New endowments received		260,086	440,000
Net cash outflow from capital expenditure and financial investment		<u>(4,219,023)</u>	<u>2,118</u>

**22 Analysis of cash and bank balances**

	At beginning of year £	Cash flows £	At end of year £
Bank overdrafts	(8,645)	2,648	(5,997)
Cash at bank and in hand	4,683,291	(3,182,828)	1,500,463
Net Funds	<u>4,674,646</u>	<u>(3,180,180)</u>	<u>1,494,466</u>

**23 Related Party Transactions**

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

**24 Contingent Liabilities**

As disclosed in note 25, with effect from 16 March 2007, the Universities Superannuation Scheme (USS) positioned itself as a "last man standing" scheme so that in the event of an 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.

**25 Pensions**

The College participates in two defined benefit schemes, the Universities' Superannuation Scheme (USS) and the Cambridge Colleges' Federated Pensions Scheme (CCFPS). The assets of the schemes are held in separate trustee-administered funds. The total pension cost for the 12 months to 30 June 2014 was £101,131 (2013: £98,535).

**25a 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 appointment of directors to the board of trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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 the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of the estimate of the funding level at 31 March 2014 are also included in this note.

**25 Pensions (continued)**

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.

Standard mortality tables were used as follows:

Male members’ mortality	S1NA [“light”] YoB tables – No age rating
Female members’ mortality	S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonable reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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

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

**25 Pensions (continued)**

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 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 level 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 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:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on shortfall</i>
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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation date the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

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



**25 Pensions (continued)**

*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 for future service and new entrants, to age 65.

*Flexible retirement* - flexible retirement options were introduced.

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

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

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

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 trustee’s role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme’s liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee’s funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The funding is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme’s liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme’s liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the College had 6 active members participating in the scheme.

The total pension cost for the College was £37,166 (2013: £38,533). The contribution rate payable by the College was 16% of pensionable salaries.

**25b 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), in the United Kingdom. The Scheme is a defined-benefit, final-salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined-benefit scheme. The Scheme is deemed to be a registered person under the terms of Schedule 36 of the Finance Act 2004. The College’s employees covered by the Scheme are contracted into the State Second Pension (S2P).

**25 Pensions (continued)**

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:

	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
Discount rate	4.6%	4.6%	4.7%	5.5%
Expected long-term rate of return on Scheme assets	6.2%	6.2%	5.6%	6.2%
Increase in salaries	**2.8%	*2.8%	**2.2%	3.2%
Retail Prices Index (RPI) assumption	3.3%	3.3%	2.7%	3.4%
Consumer Prices Index (CPI) assumption	2.3%	2.3%	2.7%	n/a
Pension increases (RPI linked)	3.3%	3.3%	2.7%	3.4%
Pension increases (capped RPI)	3.1%	3.1%	2.5%	n/a

\*1.5% in 2013; 2.8% thereafter; \*\*1.5% in 2014 to 2016; 2.8% thereafter

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 2012 projection and a target long-term improvement rate of 1.0% p.a. (2013: SI 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 years)
- 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 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:

	<b>June 2014</b>	<b>June 2013</b>
	<b>£</b>	<b>£</b>
Present values of Scheme liabilities	(3,008,993)	(2,529,889)
Market value of Scheme assets	1,937,572	1,783,168
Surplus/(deficit) in the Scheme	<u>(1,071,421)</u>	<u>(746,721)</u>

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

	<b>June 2014</b>	<b>June 2013</b>
	<b>£</b>	<b>£</b>
Current service cost	148,387	110,230
Interest on Scheme liabilities	118,623	99,553
Expected return on Scheme assets	(112,803)	(89,568)
<b>Total</b>	<u>154,207</u>	<u>120,215</u>
Actual return on Scheme assets	<u>112,820</u>	<u>190,244</u>

**25 Pensions (continued)**

Changes in the present value of the Scheme liabilities for the 12 months ending 30 June 2014 (with comparative figures for the year ending 30 June 2013) are as follows:

	<b>June 2014</b>	<b>June 2013</b>
	£	£
Present value of Scheme liabilities at the beginning of the period	2,529,889	2,101,308
Service cost including Employee contributions	158,023	116,389
Interest cost	118,623	99,553
Actuarial losses/(gains)	271,641	304,187
Benefits paid	(69,183)	(91,548)
Present value of Scheme liabilities at the end of the period	<u>3,008,993</u>	<u>2,529,889</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:

	<b>June 2014</b>	<b>June 2013</b>
	£	£
Market value of Scheme assets at the beginning of period	1,783,168	1,579,778
Expected return	112,803	89,568
Actuarial gains/(losses)	17	100,676
Contributions paid by the College	101,131	98,535
Employee contributions	9,636	6,159
Benefits paid	(69,183)	(91,548)
Market value of Scheme assets at the end of the period	<u>1,937,572</u>	<u>1,783,168</u>

The agreed contributions to be paid by the College for the forthcoming year are 11.84% of Contribution Pay for non salary sacrifice members (16.84% of Contribution Pay for salary sacrifice members) plus £10,195 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 at 30 June 2014 (with comparative figures at 30 June 2013) are as follows:

	<b>June 2014</b>	<b>June 2013</b>
Equities and Hedge Funds	70%	68%
Property	23%	24%
Bonds and cash	7%	8%
<b>Total</b>	<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 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 6.0% (2013: 6.0%) and an expected rate of return on bonds and cash of 3.8% (2013: 4.0%).

**25 Pensions (continued)**

Analysis of amounts 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:

	<b>June 2014</b>	<b>June 2013</b>
	£	£
Actual return less expected return on Scheme assets	17	100,676
Experience gains and losses arising on Scheme liabilities	(75,853)	(14,364)
Changes in assumptions underlying the present value of Scheme liabilities	(195,788)	(289,823)
Actuarial (loss)/gain recognised in STRGL	<u>(271,624)</u>	<u>(203,511)</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:

	<b>June 2014</b>	<b>June 2013</b>
	£	£
Cumulative actuarial gain/(loss) at beginning of period	(544,941)	(341,430)
Recognized during the period	(271,624)	(203,511)
Cumulative actuarial gain/(loss) at end of period	<u>(816,565)</u>	<u>(544,941)</u>

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

	<b>June 2014</b>	<b>June 2013</b>
	£	£
Surplus/(deficit) in Scheme at beginning of year	(746,721)	(521,530)
Service cost (Employer Only)	(148,387)	(110,230)
Contributions paid by the College	101,131	98,535
Finance cost	(5,820)	(9,985)
Actuarial gain/(loss)	(271,624)	(203,511)
<b>(Deficit) in Scheme at the end of the year</b>	<u>(1,071,421)</u>	<u>(746,721)</u>

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

	<b>June 2014</b>	<b>June 2013</b>	<b>June 2012</b>	<b>June 2011</b>	<b>March 2010</b>
	£	£	£	£	£
Present value of Scheme liabilities	(3,008,993)	(2,529,889)	(2,101,308)	(1,877,253)	(1,832,406)
Market value of Scheme assets	1,937,572	1,783,168	1,579,778	1,722,672	1,502,855
Surplus/(deficit) in the Scheme	(1,071,421)	(746,721)	(521,530)	(154,581)	(329,551)
Actual return less expected return on Scheme assets	17	100,676	(306,325)	50,266	167,711
Experience gain/(loss) arising on Scheme liabilities	(75,853)	(12,713)	(25,721)	26,011	16,903
Change in assumptions underlying present value of Scheme liabilities	(195,788)	(289,823)	(41,942)	122,116	(431,870)