

Homerton College

Annual Report and Financial Statements

30 June 2016

Charity Registration Number 1137497

Contents

Reports

Reference and administrative information	1
Trustees' report (incorporating the operating and financial review)	3
Corporate governance statement	13
Statement of internal control	14
Statement of Council's responsibilities	15
Independent auditor's report	16

Financial statements

Consolidated Statement of Comprehensive Income and Expenditure	18
Consolidated statement of changes in reserves	19
Balance sheets	20
Consolidated statement of cash flows	21
Principal accounting policies	22
Notes to the financial statements	28

Reference and administrative information

Members of Council (Trustees)

Ex officio Members

Principal	Prof Geoffrey Ward
Vice Principal	Dr William Foster
Senior Tutor	Dr Penelope Barton
Bursar	Ms Deborah Griffin

Elected Fellows

Dr David Clifford (resigned 30 September 2015)
Dr Richard Hickman (term ended 30 September 2015)
Mr Stephen Watts (term ended 30 September 2015)
Dr Katherine Boyle
Mrs Christine Doddington (appointed one year from 30 September 2015)
Dr Daniel Trocmé-Latter
Dr Louise Joy
Dr Karhik Depuru-Mohan (appointed two year term from 30 September 2015)
Dr Melanie Keene (appointed 30 September 2015)
Mr Matthew Moss (appointed 30 September 2015)
Dr André Neves
Veronica Fikfak (resigned 28 April 2016)

Co-opted Fellows

Melanie Keene (elected 30 September 2015)
Mr Steve Watts
Mr Paul Elliot

Student Members (not Trustees)

JCR President	Ms Ruth Taylor
MCR President	Mr James Blake

Senior Officers

Head of House	Prof Geoffrey Ward
Vice Principal	Dr William Foster
Senior Tutor	Dr Penelope Barton
Bursar	Ms Deborah Griffin
Admissions Tutor	Mr Stephen Watts
Graduate Tutors	Dr Melanie Keene Dr André Neves

Secretary to the Governing Body
and Council

Dr Simon Wadsley

Reference and administrative information

Registered address	Hills Road Cambridge CB2 8PH
Charity registration number	1137497
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc Black Horse House Castle Park Cambridge CB3 0AR
Solicitors	Taylor Vinters LLP Merlin Place Milton Road Cambridge CB4 0DP
Property advisers	Carter Jonas (formerly Januarys) 6-8 Hills Road Cambridge CB2 1NH
Investment managers	Rothschild Wealth Management (UK) Limited New Court St Swithin's Lane London EC4N 8AL

SCOPE OF THE FINANCIAL STATEMENTS

The trustees of Homerton College ('the College') present their report incorporating the operating and financial review, together with the audited financial statements for the year ended 30 June 2016. These cover the consolidated operations of Homerton College and its subsidiaries. The financial statements have been prepared in accordance with the accounting policies set out on pages 22 to 27 and comply with applicable laws, the requirements of the Recommended Cambridge College Accounts (RCCA) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2015).

GOVERNANCE AND ORGANISATIONAL STRUCTURE

The College is governed by its Royal Charter and its Statutes and Ordinances, which may be found on the College website.

The Governing Body has the "ultimate authority in the government of the College as a place of education, religion, learning and research", and its powers are set out in the Charter and Statutes. The College Council is established by the Governing Body to exercise on its behalf such powers as are set out in the Statutes and Ordinances, other than those reserved for exercise by the Governing Body itself.

The members of the Council are deemed to be the trustees of the College for the purpose of charity law, and its composition is set out on page 1. A number of committees have been established to advise the Council in carrying out its duties, and these are set out in the Corporate Governance Statement on pages 13 and 14.

A number of subsidiaries and other significant investments have been established to undertake trading operations for the benefit of the College (see also note 12):

- ◆ Colophon Limited undertakes commercial conferences and also operates the College bar.
- ◆ HBC 1 Limited and Colokate LLP were incorporated during 2013-14 in order to facilitate the development of the residential element of Homerton Business Centre which is adjacent to the main College site.

AIMS AND OBJECTIVES OF THE COLLEGE

The objects of the College, as set out in its Royal Charter, are:

- a. for the public benefit to advance education, religion, learning and research within the University of Cambridge;
- b. for the public benefit to provide for persons, who shall be members of the University, a College wherein they may work for degrees of the University of Cambridge.

PUBLIC BENEFIT

In setting the objectives and planning the activities of the College, the Council has given careful consideration to the Charity Commission's general guidance on public benefit.

Education

Student membership of the College was as follows:

Academic year ended 30 June	2014	2015	2016
Undergraduates	581	553	546
Postgraduate Certificate in Education (PGCE) students	277	264	207
Higher Degree students - Full time	157	147	149
- Part time	234	263	255
Total	1,249	1,227	1,157

The College admitted undergraduates for 22 of the 25 Cambridge Triposes. Investment in the teaching provision was made during the year in preparation for the admittance of students studying medicine from October 2016 and an additional College Teaching Officer was recruited to support Maths.

It was pleasing that the increased investment in the education of our students over the past 3 years produced the Colleges best-ever degree results in June 2016. Six of our undergraduates were also awarded academic prizes by the University's Department of Engineering.

Student support

Through a scheme operated in common with the University, the other Cambridge colleges and the Isaac Newton Trust, the College provides bursary support to undergraduates and PGCE students of limited financial means. The Cambridge Bursary Scheme is approved by the Office of Fair Access (OFFA) and provides benefits at substantially higher level than the minimum OFFA requirement. During the year, 147 (2014-15: 143) Homerton students benefited from the scheme to the value of £414,412 (2014-15: £422,148).

The College also operates its own Hardship Fund and awards a number of other grants (including research grants for postgraduate students), as well as prizes for academic achievement. The total cost of such financial support was £168,622 (2014-15: £163,320).

During the year subject dinners were held for the first time bringing together undergraduates, postgraduates, Fellows and staff, and in some cases, alumni to further discussion and discourse on their respective subjects.

PUBLIC BENEFIT (continued)

Students (continued)

Outreach and access

To raise educational aspiration and attract outstanding applicants who might not have otherwise considered applying to Cambridge and Homerton College, the College shared a joint post of Schools Liaison Officer with Selwyn College. From summer 2016, this will be a full-time position at Homerton College. The Schools Liaison Officer, in consultation with the Admissions Tutors, operates an outreach programme of visits to schools, visits by schools to the College and open days. During the year, 511 (2014-15: 493) students from 19 (2014-15: 19) schools visited the College and a further 15 (2014-15: 23) schools were visited by the Schools Liaison Officer

Now embedded in Homerton College's outreach programme is its 3 day summer school. This year, the College hosted 47 students from 23 different schools in July 2015. Most of the Year 12 students came from Homerton's link areas of Doncaster, Rotherham, and the London Boroughs of Kingston, Richmond, and Hounslow. The summer school featured three strands; the Physical Sciences, Biological Sciences, and the Arts and Humanities. A number of students from the previous years are now applying directly to Homerton College. The outreach programme is being expanded significantly from 2016.

To bring more aspiring secondary school pupils into Homerton, the College once again hosted the finals of Poetry By Heart - the national poetry recitation competition for pupils aged 14 to 18 . Not only did the participants recite three poems in front of a distinguished panel of judges including Homerton Honorary fellow, Sir Andrew Motion, students attended workshops and talks on applying to University.

Extra-curricular activities

Homerton students were encouraged to participate in a wide range of activities both College based and in the wider University. A new Representation scheme saw 55 awards of £200 each given to students who achieved Blues or other awards or helped organise University clubs and societies. Activities ranged from drama to sport of all kinds to music to enterprise and charitable activities. In the previous year 14 awards had been given.

Music continues to be an integral part of College life. In August 2015, the Charter Choir toured the French Riviera performing nine events over a period of 8 days. With increased College support they embarked on an ambitious and successful tour of New York and Boston in summer 2016.

A highlight of the year and building on Homerton's Children's Literature Collection was the week-long celebration of the 150th anniversary of Alice in Wonderland in September 2015. A conference and tea party including an animatronic smoking caterpillar attracted researchers and academics as well local children and their families.

ACHIEVEMENTS AND PERFORMANCE (continued)

Research

Full Fellows (categories A, B, C and D) of the College are supported in their research activities with generous computer and annual research allowances towards the costs of their research. Our Fellows are encouraged to attend and speak at conferences worldwide.

Research was also advanced by the College's support of 8 Junior Research Fellowships "JRFs" (6 of which are stipendiary). All Research Fellows (category C) are entitled to an enhanced research allowance towards the cost of their research work. A welcome innovation in 2015-16 was the joint funding and support of two four-year JRF's with the Department of Public Health and Primary Care in line with the College's Academic Strategy to foster collaborative relationships with the University

The College continues to look at ways to strengthen the research community at Homerton. By the end of the 2015-16 Academic year the College had 14 Research Associates on three year terms. College ordinances allow for a community of up to 24 Research Associates so a further 10 were being interviewed and appointed over the summer of 2016. The College has found them to be a valuable part of the research community at Homerton contributing to seminars, teaching and discussion.

FINANCIAL REVIEW

Review of the results for the year

Overview

The College Income and Expenditure Account reflects a satisfactory outcome for the year ended 30 June 2016. There was a deficit before other gains and losses of £522k compared to a net surplus the previous year of £38k. This was after a contribution of £41k (2014-15: £42k) to the Colleges' Fund under University of Cambridge Statute G, II.

Education Account

The per capita rate applicable to the undergraduate college fee for Home and EU students was £4,500. The graduate and PGCE fee was increased by 15% to £2,844 (2014-15: £2,474). Total income from college fees, grants etc amounted to £4.1m (2014-15: £4.1m).

Education expenditure was £5.3m (2014-15: £4.8m) an increase of 11.1%, leaving a deficit of £1.2m (2014-15: £668k).

FINANCIAL REVIEW (continued)

Review of the results for the year (continued)

Residence and catering accounts

The College is very mindful of student finances and strives to keep increases in accommodation rents and catering prices as low as possible whilst maintaining a high standard of (mostly en-suite) accommodation through regular refurbishment. This year room rents increased by 2% and food prices by 0%. The Minimum Meal Charge (MMC) increased by 2.7% for undergraduates and remained frozen for graduates.

The residence account income was £2.5m (2014-15: £2.4m). Costs for the year were £2.4m (2014-15: £2.2m) resulting in a surplus of £99k (2014-15: £214k).

Term time students, staff and college function catering produced a turnover of £946k (2014-15: £891k). After allowing for pay expenditure of £687k (2014-15: £589k) and non-pay and overheads of £769k (2014-15: £702k), the account was in deficit by £510k (2014-15: deficit by £400k).

Overall the College aims for the combined results of the Residence and Catering Accounts to break even. With the new graduate accommodation opening in September 2016, the College will need to look at the rent and catering charges to bring the account into breakeven in the future.

Conference business

Homerton has one of the smallest investment portfolios on a student per capita basis of the undergraduate Cambridge colleges. It also currently receives much lower levels of donations than other colleges due to the history of the College, and the resulting composition of its alumnae.

As a result, income from conferences forms a vital part of the College's funding and will continue to do so going forward. To this end, the College continues to invest in its conference business amidst increasing competition from other colleges and nearby rival facilities.

Conference income from the provision of catering and accommodation services to residential and day conferences (including Colophon Limited) was £1,643k (2014-15: £1,662k). Direct conference expenditure amounted to £634k (2014-15: £616k), giving a net contribution towards the overheads of the College of £1,010k (2014-15: £1,047k). The results of the final quarter and summer 2016 have been very positive following a staff restructuring during the year.

FINANCIAL REVIEW (continued)

Review of the results for the year (continued)

Maintenance of buildings and capital expenditure

The College operates a rolling maintenance programme with the objective of preserving the quality of its building, residences, public spaces and infrastructure. The majority of major works took place during the summer of 2015 and included:

- ◆ New lifts in West House;
- ◆ refurbishment of one of the JRF;
- ◆ continuation of the 3 year programme to improve Wifi reception across the College;
- ◆ a programme of replacement keys with Salto locks as licences run out on existing key-lock systems
- ◆ redecoration of kitchens in Harrison House including new floors and worktops; and
- ◆ a number of major boiler replacements in Mary Allen Building and ABC.

Investment policy and performance

Investment portfolio

The College maintains a long-term approach to investment, retaining a diversified portfolio of high quality assets to protect the real value of the capital base and provide protection against inflation risk. The College's primary investment objectives are:

- ◆ to seek to maintain the value of the portfolio in real terms i.e. 1% above inflation; and
- ◆ to maintain a predicted annual standard deviation of returns (i.e. risk volatility) on the portfolio in the region of 8 to 12%.

The actual total return target is RPI +4% per annum, net of all investment fees and costs, over 5-7 years in order to sustain a spending rate of 3% over a trailing 3 year average. In summer of 2015 the management of the investments was transferred to Rothschild after a competitive tender and continues to be managed on a total return basis.

Overall, the College portfolio has increased in value from £63.3m to £67.5m at the year end (note 12a), which when taken with the income generated, comfortably exceeds the total target return.

FINANCIAL REVIEW (continued)

Investment policy and performance (continued)

Homerton Business Centre

On 1 July 2014 the College signed a £20m revolving credit facility with its bankers, Lloyds plc, to fund the redevelopment of the Homerton Business Centre. In Spring 2016 the £18m commercial development was completed on time and on budget. The main tenant, Alpha Plus Group has now moved in and are operating a sixth form school. Rent on the 25 year lease will commence in September 2016. Previously the value of the commercial development was shown as construction costs and fees in Investments. The commercial buildings were valued as at 30 June 2016 at £35.4m (2015: £14m) and have now been included in investments at their valuation.

The construction of the residential units through Colokate LLP with Hill Residential Limited, a third party property developer has progressed again on time and budget and is scheduled for completion in November 2016. Marketing of the private residential units began in February 2016 with 40% sold to Cambridge City Council in fulfilment of the affordable housing planning requirement. The value of the residential development is stated as Investment in joint venture at £13.4m (2015: £7.7m) and reflects the capital employed by Homerton College in Colokate LLP.

Investment Land

Carter Jonas performed a valuation of the investment land as at 30 June 2016, taking into account that Morley House for graduate accommodation was under construction on this land (opened September 2016). The remaining land has been valued at £6.4m with £8.1m transferred to Tangible fixed assets: College buildings and site (2015: £13.9m) (see note 12a).

Leases

The Northern Site is the subject of a 99 year lease from 9 January 2005 to the University of Cambridge for which a premium has been received and accounted for as deferred rental income. This is released in equal annual instalments over the lease term.

The Mary Allan Building is subject to a 60 year lease to the University of Cambridge of its offices and shared teaching and auditorium space from 2001.

The lease of the Biology Building and Dance Studio to the University of Cambridge will continue for up to 25 years from August 2001.

College Land and Buildings

The College has reviewed its accounting policies in the light of new accounting standard FRS102 and has decided that the College's operational assets should no longer be revalued, and that any new operational assets should be added at cost. The College's land and buildings are therefore stated at their value at 31 July 2013, as updated by the Governing Body to 1 July 2014 to £79.7m, with the addition of the land on which Morley House has been built valued at £8.1m.

FINANCIAL REVIEW (continued)

Staff costs and pensions

Total payroll costs, including employer's pension and national insurance contributions, were £5.3m (2014-15: £4.9m) (see note 10).

The funded pension scheme operated for non-teaching staff is the Cambridgeshire County Council Local Government Pension Scheme (LGPS). The College also supports membership of the Universities Superannuation Scheme (USS), mainly for its teaching staff.

LGPS

The LGPS share of deficit, calculated to meet the requirements of FRS 102, attributable to existing and former staff was £1,145k (2014-15: £779k). The Employer's contribution rate remained at 17.5%.

USS

Due to the nature of this scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, and therefore accounts for the scheme as if it were a defined contribution scheme.

During 2014 and 2015 the trustees consulted directly with employers on the Statement of Investment Principles. Comments and proposed changes were fully considered and a number of amendments were incorporated in the final version to reflect the responses received, particularly around the definition of risk and further explanation of asset classes and asset allocation. The triennial valuation of the scheme as at 31 March 2014 confirms that the deficit was £5.3 billion as at 31 March 2014 (unaudited). As reported in the annual report and accounts, continued adverse market conditions have had an impact on the scheme's funding position and the trustee estimates that the funding ratio as at 31 March 2015 had fallen to 86% (from 89% as at 31 March 2014) increasing the deficit to £8.3bn.

The recovery plan has led to an increase in Employer contributions from April 2016 to 18%.

The College has entered into a Recovery Plan with the Universities' Superannuation Scheme to fund the deficit within the Scheme. Consequently, the College has recognised a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the statement of comprehensive income and expenditure. At 30 June 2016, this liability was £0.36m (2015: £0.35m).

Reserves policy

The College's investment portfolio, its conference business and rental income from the leases to the University have the function of sustaining the activities of the College. Expenditure is guided by an assessment of forecast performance and liabilities with the objective of identifying sustainable affordable expenditure and achieving inter-generational equity. This is discussed in more detail above in respect of the investment policy.

FINANCIAL REVIEW (continued)

Reserves policy (continued)

The total unrestricted funds of the group totalled £168.1m at 30 June 2016 (30 June 2015: £157.1m). Of this, the general reserve excluding the pension reserve amounted to £88.1m (30 June 2015: £84.0m).

PLANS FOR FUTURE PERIODS AND POST BALANCE SHEET EVENTS

Short-term future plans and activities

Estates Strategy

In September 2016, the newly constructed 112 bedroom Morley House opens for graduates. With a new Middle Common Room (MCR) and located adjacent to existing graduate housing in Harrison House the College's graduate community now has its own "campus." Following the opening of Morley House, the Queen's Wing residences will be taken out of service and plans are being formulated to refurbish the building to house more extensive leisure facilities as well as offices and the College archive.

An architectural competition commenced in June 2016 to choose a design team for a new Dining Hall and catering facilities. It is expected to announce the winning team in early 2017. The Estates Project Board continues to consider plans to undertake preparatory works within the Cavendish and Ibberson buildings.

Homerton Business Centre funding

In the immediate weeks before the Brexit referendum and the following couple of months, sales of residential units slowed. Marketing and prices were reviewed and changes made which appear to have had some impact. As a precautionary measure and the result of discussions with Lloyds Bank who have provided a £20m revolving credit facility now fully utilised, the loan repayment date will be extended beyond its current repayment date of 30 March 2017.

Refurbishment during Summer 2016

The main project work planned for the summer of 2016 is the replacement of lifts in East House, new LED in the Auditorium and the final year of improving wifi access across the College campus.

PRINCIPAL RISKS AND UNCERTAINTIES

The College's Governing Body and the directors of the College's subsidiaries continued with their policy of formal risk assessment. A review and reassessment of the risk was conducted during the year, with particular focus on the impact of the Academic Strategy and ongoing development of the Homerton Business Centre on the risk profile of the College.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The key risks to be managed are:

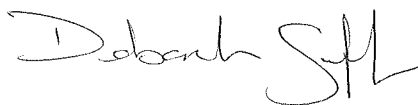
- ◆ Risks related to academic performance. The number of undergraduates admitted has fallen. The trend could be exacerbated by Brexit, as 15% of our undergraduates come from the EU. Moreover, there is some evidence that EU students perform slightly better than Home students, and in consequence student performance as well as numbers could decline. This would affect the College's reputation, and lead potentially to difficulty in recruiting suitable Fellows. The College already has difficulty in recruiting UTOs. Many of our Fellows have an EU background, and Brexit could compound the difficulty in recruiting new Fellows.
- ◆ The College remains exposed to changes in Government policy regarding PGCE training, and University policy regarding higher degree studies in Education.

AUDITOR

In so far as the trustees are aware:

- ◆ there is no relevant audit information of which the College and group's auditor is unaware; and
- ◆ the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the Governing Body on 2 December 2016 and signed on its behalf by:



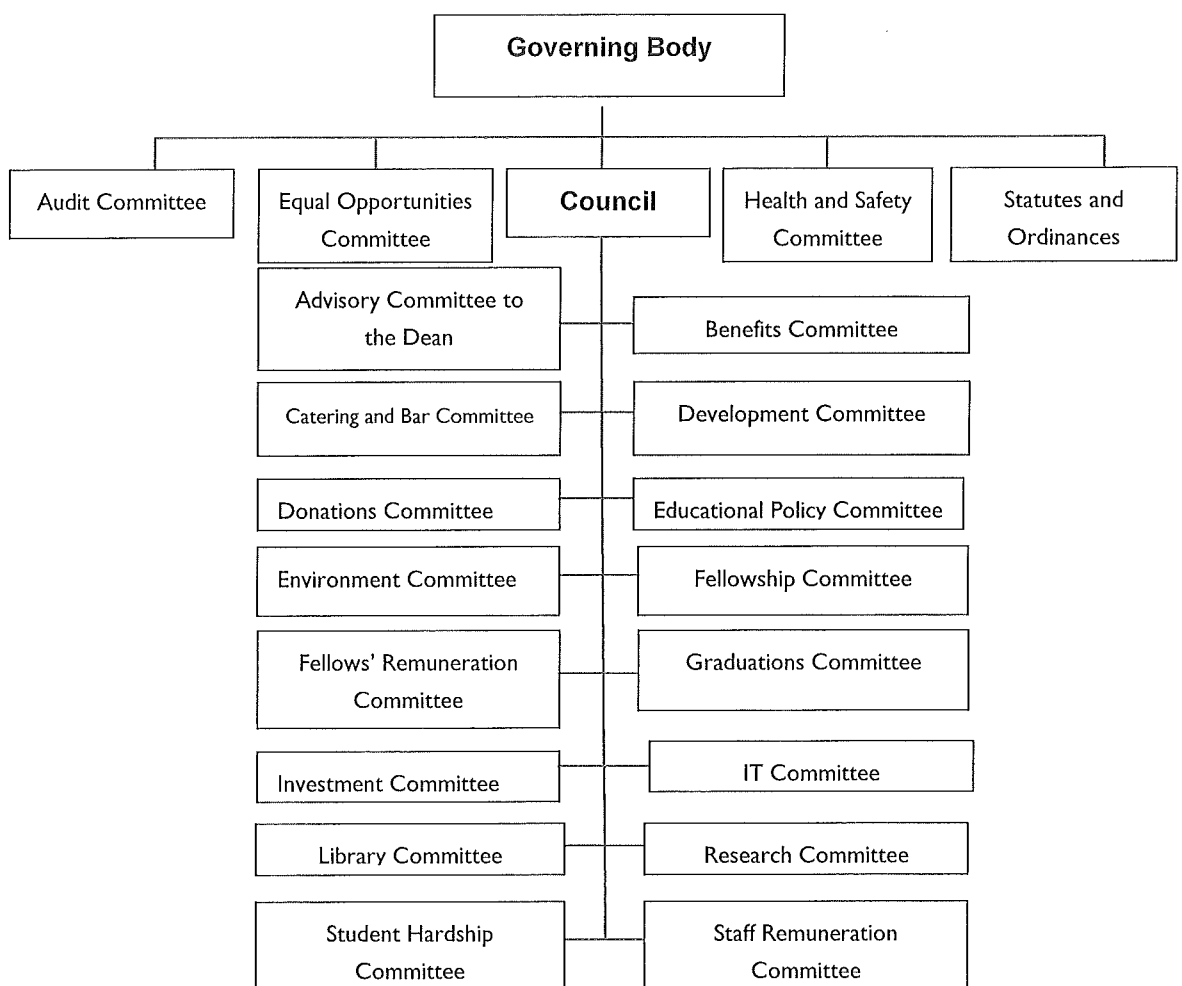
Bursar and Fellow

Governance

The following statement is provided by the Council to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

The College is a registered charity (registered number 1137497) and subject to regulation by the Charity Commission for England and Wales. The members of the Council are the charity trustees and are responsible for ensuring compliance with charity law.

The Governing Body and Council are advised in carrying out its duties by a number of Committees as explained below:.



The principal officers of the College are:

- ◆ The Principal
- ◆ The Vice-Principal
- ◆ The Bursar
- ◆ The Senior Tutor
- ◆ The Admissions Tutor
- ◆ The Post-Graduate Tutors

Governance (continued)

It is the duty of the Audit Committee to keep under review the effectiveness of the College's internal systems of financial and other controls; to advise the Governing Body on the appointment of external auditors; to consider reports submitted by the auditor; to monitor the implementation of recommendations made by the auditor; to make an annual report to the Council and Governing Body. Membership of the Audit Committee includes two independent chartered accountants and two fellows who are not members of the Council.

Declarations of Interests are completed by all Members of the Council and the senior administrative officers. Declarations of interest are made systematically at meetings.

The College's Members of the Council during the year ended 30 June 2016 are set out on page 1.

Statement of Internal Control

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

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

The system of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2016 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

- ◆ The Audit Committee reviews a risk assessment report which it submits to the Governing Body in the Easter Term;
- ◆ The Audit Committee presents an annual report, including the adequacy of the internal controls and the preparation of the financial statements in the Michaelmas Term.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, the Bursar, and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditor in their management letter and other reports.

Statement of the College Council's responsibilities 30 June 2016

The Council is responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and presenting it to the Council for approval.

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the College and of the surplus or deficit of the Group for that year. In preparing these financial statements, the Council is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the College will continue in operation.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report on the financial statements to the Governing Body of Homerton College

We have audited the financial statements of Homerton College for the year ended 30 June 2016 which comprise the consolidated statement of comprehensive income and expenditure, the consolidated and College balance sheets, the consolidated statement of changes in reserves, the consolidated statement of cash flows, the principal accounting policies and the 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), including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the Governing Body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of College Council and auditor

As explained more fully in the College Council's responsibilities statement set out on page 15, the College Council is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor 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 accounts 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 the 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 and group'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 trustees' report (including the operating and financial review) and corporate governance statement 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 inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the group and the College's affairs as at 30 June 2016 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 Charities Act 2011, the College's Statutes and the Statutes and Ordinances of the University of Cambridge; and
- ◆ in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for the year ended 30 June 2016 has been applied to the purposes for which it was received.

Opinion on other matter prescribed by the Statutes of the University of Cambridge

In our opinion 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 trustees' report (incorporating the operating and financial review) and corporate governance statement 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.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

01 December 2016

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Consolidated Statement of Comprehensive Income and Expenditure Year to 30 June 2016

	Note	2016 £'000	2015 (restated) £'000
Income			
Academic fees and charges	1	4,131	4,106
Residences, catering and conferences	2	5,143	5,034
Investment income	3	2,385	2,001
Other income	5	832	883
Total income before donations		12,491	12,024
Donations	4	206	119
Total income		12,697	12,143
Expenditure			
Education	6	(5,303)	(4,774)
Residences, catering and conferences	7	(5,403)	(5,034)
Investment management costs	3	(347)	(221)
Other expenditure	8	(2,125)	(2,034)
Contribution under Statute G, II		(41)	(42)
Total expenditure	9	(13,219)	(12,105)
(Deficit) surplus before other gains and losses		(522)	38
Operating loss on joint venture	12b	(2)	(19)
Realised (losses) gains on investments	12a	(1,954)	(98)
Unrealised gains on investments	12a	13,509	3,645
Surplus for the year		11,031	3,566
Other comprehensive income			
Actuarial loss in respect of pension schemes	20	(54)	(129)
Changes in assumptions arising on teachers' pension obligations	18	6	(40)
Total comprehensive income for the year		10,983	3,397

All items dealt with in arriving at the surplus for the above two accounting years relate to continuing operations.

Consolidated statement of changes in reserves Year to 30 June 2016

	Income and expenditure reserve		Revaluation reserve		Total £'000
	Un-restricted £'000	Restricted £'000	Operational property £'000	Fixed asset investment £'000	
Balance at 1 July 2015	80,468	—	53,770	20,483	154,721
Transitional adjustment: deferred capital grant opening balance	2,432	—	—	—	2,432
(Deficit) surplus from income and expenditure statement	(524)	—	—	11,555	11,031
Transfer of investment property to fixed assets	—	—	8,031	(8,031)	—
Other comprehensive income	(48)	—	—	—	(48)
Transfers between revaluation and income and expenditure reserve	4,262	—	(1,017)	(3,245)	—
Balance at 30 June 2016	86,590	—	60,784	20,762	168,136

	Income and expenditure reserve		Revaluation reserve		Total £'000
	Un-restricted £'000	Restricted £'000	Operational property £'000	Fixed asset investment £'000	
Balance at 1 July 2014	74,379	—	54,787	22,080	151,246
Transitional adjustment: deferred capital grant opening balance	2,510	—	—	—	2,510
Surplus from income and expenditure statement	19	—	—	3,547	3,566
Other comprehensive income	(169)	—	—	—	(169)
Transfers between revaluation and income and expenditure reserve	6,161	—	(1,017)	(5,144)	—
Balance at 30 June 2015	82,900	—	53,770	20,483	157,153

The transfer between the operational property revaluation reserve and the income and expenditure reserve is made to compensate the income and expenditure reserve for the additional depreciation charged on the College's operational property as a result of its previous revaluations.

The transfer between the fixed asset investment revaluation reserve and the income and expenditure reserve represents the realised investment gains during the year on a historical cost basis.

The notes on pages 28 to 46 form part of these financial statements.

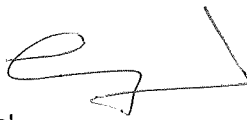
Balance sheets Year to 30 June 2016

	Notes	Consolidated		College	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed assets					
Tangible assets	11	96,289	80,212	96,243	80,156
Investments	12a	109,341	91,325	109,381	91,365
Investment in joint venture	12b	13,406	7,733	—	—
		<u>219,036</u>	<u>179,270</u>	<u>205,624</u>	<u>171,521</u>
Current assets					
Stocks	13	29	35	19	23
Trade and other receivables	14	804	1,703	12,653	8,010
Cash at bank and in hand	15	4,836	6,135	4,570	5,534
		<u>5,669</u>	<u>7,873</u>	<u>17,242</u>	<u>13,567</u>
Current liabilities					
Creditors: amounts falling due within one year	16	(2,199)	(3,431)	(2,060)	(3,383)
		<u>3,470</u>	<u>4,442</u>	<u>15,182</u>	<u>10,184</u>
Net current assets					
		<u>3,470</u>	<u>4,442</u>	<u>15,182</u>	<u>10,184</u>
Total assets less current liabilities					
		<u>222,506</u>	<u>183,712</u>	<u>220,806</u>	<u>181,705</u>
Creditors: amounts falling due after more than one year	17	(52,569)	(25,115)	(52,569)	(25,115)
Provisions for liabilities and charges	18	(295)	(315)	(295)	(315)
Pension scheme liability	20	(1,506)	(1,129)	(1,506)	(1,129)
		<u>168,136</u>	<u>157,153</u>	<u>166,436</u>	<u>155,146</u>
Total net assets					
The funds of the charity:					
Unrestricted reserves					
General reserves excluding pension reserve		88,096	84,029	84,241	82,022
Pension reserve	20	(1,506)	(1,129)	(1,506)	(1,129)
Operational property revaluation reserve		60,784	53,770	60,784	53,770
Fixed asset investment revaluation reserve		20,762	20,483	20,762	20,483
		<u>168,136</u>	<u>157,153</u>	<u>166,436</u>	<u>155,146</u>
Total funds					

The financial statements were approved by the Governing Body on 2 December 2016 and were signed on their behalf by:



Bursar



Principal

Consolidated statement of cash flows Year to 30 June 2016

	Notes	2016 £'000	2015 £'000
Net cash provided by operating activities	22	21	1,529
Cash flows from investing activities	23	(27,606)	(8,637)
Cash flows from financing activities	24	26,457	11,957
(Decrease) increase in cash and cash equivalents in the year		(1,128)	4,849
Cash and cash equivalents at 1 July 2015		9,018	4,151
Change in cash and cash equivalents due to exchange rate movements		—	18
Cash and cash equivalents at 30 June 2016	25	7,890	9,018

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, modified in respect of the treatment of investments and land and buildings which are included at valuation.

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 Statement of Comprehensive Income and Expenditure includes activity analysis in order to demonstrate that all fee income is spent for educational purposes. The analysis required by the SORP is set out in note 9.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest thousand pounds.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Members of Council to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ valuation of investment land and buildings;
- ◆ estimating the useful economic life of tangible fixed assets; and
- ◆ pension scheme valuations, including deficit reduction payments due under the Universities Superannuation Scheme.

Basis of consolidation

The consolidated financial statements consolidate the College and its subsidiaries (see note 12a) for the year ended 30 June 2016. Intra-group balances are eliminated on consolidation.

Joint venture

The College's investment in Colokate LLP has been accounted for as a joint venture. The equity method of accounting has been adopted.

Recognition of income

Academic fees

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

Grant income

Grants received from non-government sources (including research grants from non-government sources) are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Donations and benefactions

Non exchange transactions without performance related conditions are donations and benefactions.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts. Restricted donations are recognised when the donor has specified that the donation must be used for a particular objective. Donations with no restrictions are recorded within the consolidated statement of comprehensive income and expenditure when the College is entitled to the income.

Other income

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

Investment income

Investment income and change in value of investment assets is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual fund.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates or, where there are forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of the comprehensive income and expenditure for the financial year.

Pension schemes

USS

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 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 Section 28 of FRS 102 "Employee 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.

LGPS

The College also participates in the Cambridge County Council Pension Fund (CCCPF) which is a Local Government Pension Scheme (LGPS). The assets of the scheme are held and managed separately from those of the College. As the College is able to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, in accordance with the requirements of Section 28 of FRS 102 "Employee Benefits", the pension scheme asset or liability is recognised in full on the balance sheet.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension and finance costs. Actuarial gains and losses are recognised in 'other comprehensive income' in the statement of comprehensive income and expenditure.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Tangible fixed assets

Land and buildings

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

New freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold buildings held at 1 July 2014 were previously held at a valuation. As permitted by FRS 102, with effect from 1 July 2014 the College has elected to deem the valuation of these properties as cost. The value has been calculated by a previous valuation being updated to 1 July 2014 by the Governing Body. The remaining useful economic lives of these buildings from the date the values were deemed to be cost is 40 years. Consequently, these buildings are now depreciated over a 40 year period.

Freehold land is not depreciated as it is considered to have an indefinite useful life. A review for impairment is carried out if events or changes in circumstances indicate that the carrying value 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. They are not depreciated until they are brought into use.

Furniture, fittings and equipment

Furniture, fittings and equipment costing more than £5,000 per individual item or if the aggregate value of related items exceed £100,000 are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
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Computers and general equipment	20% per annum
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Investments

Fixed asset investments are included in the balance sheet at fair value, except for investments in subsidiary undertakings which are stated in the College's balance sheet at historical cost less any provision for impairment.

Increases in value arising on the revaluation of fixed asset investments are taken to a fixed asset investment revaluation reserve via the statement of comprehensive income and expenditure. Surplus or losses on sale of investments are taken to the statement of comprehensive income and expenditure.

Investment in joint venture comprises Homerton College's share of Colokate LLP's net assets. An amount representing the College's share of Colokate LLP's loss for the year has been recognised in the statement of comprehensive income and expenditure.

Stocks

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

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the College anticipates it will pay to settle the debt.

Debentures and bank loans are a form of financial instrument and are included in the balance sheet at cost. A market rate of interest is charged on these liabilities, which is taken to the statement of comprehensive income and expenditure.

Deferred rental income is released to the statement of comprehensive income and expenditure evenly over the lease period. It is not discounted to the present value of the income because it is not a financial instrument as defined by sections 11 and 12 of FRS 102.

Contingent liabilities

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes.

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.

Taxation

The College is a registered charity (number 1137497) and is 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 a Contribution under the provisions of Statute G, II of the University of Cambridge. This 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 period 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 and an estimate of its conference income for the current year.

Transition to the 2015 RCCA

The College is preparing its financial statements in accordance with 2015 RCCA for the first time, amended for the adoption of FRS 102, and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 RCCA has affected the reported financial position, financial performance, and cash flows of the consolidated results of the College is provided in note 27.

Application of first time adoption grants certain exemptions from the full requirements of 2015 RCCA in the transition period. The following exemptions have been taken into these financial statements:

- ◆ Fair value or revaluation as deemed cost – at 1 July 2014, fair value has been used for deemed cost for properties measured at fair value (note 27).

Reserves

Reserves are allocated between restricted and unrestricted reserves. Endowment reserves include balances which, in respect of endowment to the College, are held as permanent funds, which the College must hold in perpetuity.

Restricted reserves include balances in respect of which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

1 Academic fees and charges income

	2016 £'000	2015 £'000
College fees		
Fee income paid on behalf of Undergraduates at the Publically-funded Undergraduate rate		
Per capita fee: £4,500/£4,308 (2014-15: £4,500/£4,185)	2,043	2,112
Privately-funded Undergraduate fee income		
Per capita fee: £6,227 (2014-15: £5,869)	528	399
Fee income received at the Graduate fee rate (including PGCEs)		
Per capita fee: £2,844 (2014-15: £2,474)	1,256	1,253
Income from Cambridge Bursary Scheme	304	342
	4,131	4,106

2 Residences, catering and conferences income

	2016 £'000	2015 £'000
Accommodation		
College members	2,472	2,399
Conferences	528	597
Catering		
College members	946	891
Conferences	265	331
Colophon conferences		
Accommodation	376	360
Catering	474	374
College bar	82	82
	5,143	5,034

3 Investments

Analysis of income	2016 £'000	2015 £'000
Land and buildings	25	23
Quoted securities	2,315	1,966
Cash deposits	45	12
	2,385	2,001

Analysis of expenditure	2016 £'000	2015 £'000
Fees	347	221
	347	221

4 Donations

	2016 £'000	2015 £'000
Unrestricted donations	206	119
	<u>206</u>	<u>119</u>

5 Other income

	2016 £'000	Restated 2015 £'000
Servicing and recharges to the University of Cambridge	616	613
Miscellaneous income	250	273
Foreign exchange translation differences on investments	—	18
Other finance income:		
Interest on pension scheme assets (note 20)	559	572
Other pension scheme finance costs (note 20)	(593)	(593)
	<u>832</u>	<u>883</u>

6 Education expenditure

	2016 £'000	Restated 2015 £'000
Teaching	2,476	2,138
Tutorial	894	802
Admissions	1,005	918
Research	253	310
Scholarships and bursaries awards	172	172
Other educational facilities	503	434
	<u>5,303</u>	<u>4,774</u>

7 Residences, catering and conferences expenditure

	2016 £'000	Restated 2015 £'000
Accommodation		
College members	2,373	2,185
Conferences	515	588
Catering		
College members	1,456	1,291
Conferences	130	162
Colophon conferences		
Accommodation	616	554
Catering	232	183
College bar	81	71
	<u>5,403</u>	<u>5,034</u>

8 Other expenditure

	2016 £'000	Restated 2015 £'000
College administration		
Pay expenditure:		
Directorate	7	7
Administrative staff	727	952
	<u>734</u>	<u>959</u>
Non-pay expenditure:		
Building repairs and maintenance	175	201
Building feasibility study	—	13
Fuel and light	132	116
Rates	32	32
Depreciation: buildings	505	647
Depreciation: furniture and equipment	57	27
Homerton Business Centre costs	—	15
Debenture interest payable	997	445
Other expenses	351	360
Reclassification of costs to residence	(858)	(873)
	<u>2,125</u>	<u>2,034</u>

A proportion of other expenses have been reallocated to residences for conference accommodation charges.

9 Analysis of expenditure by activity

2016	Staff costs (note 10) £'000	Other operating expenses £'000	Depreciation (note 11) £'000	Total £'000
Education (note 6)	2,773	2,140	390	5,303
Residences, catering and conferences (note 7)	1,784	2,620	999	5,403
Investment management costs	—	347	—	347
Other (note 8)	723	840	562	2,125
Contribution under statute G,11	—	41	—	41
	<u>5,280</u>	<u>5,988</u>	<u>1,951</u>	<u>13,219</u>

2015	Staff costs (note 10) £'000	Other operating expenses £'000	Restated Depreciation (note 11) £'000	Restated Total £'000
Education (note 6)	2,560	1,921	293	4,774
Residences, catering and conferences (note 7)	1,666	2,591	777	5,034
Investment management costs	—	221	—	221
Other (note 8)	645	650	739	2,034
Contribution under statute G,11	—	42	—	42
	<u>4,871</u>	<u>5,425</u>	<u>1,809</u>	<u>12,105</u>

9 Analysis of expenditure by activity (continued)

	2016 £'000	2015 £'000
Auditor's remuneration		
Other operating expenses include:		
Audit fees payable to the College's external auditor	26	27
Other fees payable to the College's external auditor	5	5
	31	32

10 Staff costs

	College Fellows & other academics £'000	Non- academics £'000	Total 2016 £'000	Total 2015 £'000
Emoluments	1,410	2,730	4,140	3,895
Social security costs	103	174	277	237
Other pension costs	184	679	863	739
2016 Total funds	1,697	3,583	5,280	4,871
2015 Total funds	1,553	3,318	4,871	

	2016 No.	2015 No.
Average staff numbers		
Academic (including library)	86	88
Non-academics	117	114
Total	203	202

Average staff numbers (full time equivalents):

Non-academics	101	97
Academics:		
Fellows – Full Time Stipendiary	20	18
Fellows – Part Time Stipendiary	30	30
Fellows – Non Stipendiary	14	14
Other academics (non-Fellows)	22	26
Total	187	185

The Governing Body comprises 56 fellows, of which 50 declared above are stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2015: none).

10 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the College. This includes aggregated emoluments paid to key management personnel. Aggregated emoluments consists of salary and taxable benefits but excludes any employer's pension contribution.

	2016 £'000	2015 £'000
Key management personnel	504	468
	<u>504</u>	<u>468</u>

11 Tangible fixed assets

Consolidated	College buildings and site £'000	Assets under construction £'000	Furniture, fittings and equipment £'000	Total £'000
Cost				
At beginning of year (restated)	80,217	471	2,220	82,908
Additions at cost	—	9,589	327	9,916
Transfer	8,110	—	—	8,110
At end of year	<u>88,327</u>	<u>10,060</u>	<u>2,547</u>	<u>100,934</u>
Depreciation				
At beginning of year (restated)	1,625	—	1,069	2,694
Charge for the year	1,625	—	326	1,951
At end of year	<u>3,250</u>	<u>—</u>	<u>1,395</u>	<u>4,645</u>
Net book value				
At 30 June	<u>85,077</u>	<u>10,060</u>	<u>1,152</u>	<u>96,289</u>
At 1 July	<u>78,592</u>	<u>471</u>	<u>1,149</u>	<u>80,212</u>

11 Tangible fixed assets (continued)

College	College buildings and site £'000	Assets under construction £'000	Furniture, fittings and equipment £'000	Total £'000
Cost				
At beginning of year (restated)	80,217	471	1,978	82,666
Additions at cost	—	9,589	327	9,916
Transfer	8,110	—	—	8,110
At end of year	88,327	10,060	2,305	100,692
Depreciation				
At beginning of year (restated)	1,625	—	885	2,510
Charge for the year	1,625	—	314	1,939
At end of year	3,250	—	1,199	4,449
Net book value				
At 30 June	85,077	10,060	1,106	96,243
At 1 July	78,592	471	1,093	80,156

Land and buildings

As permitted under Financial Reporting Standard FRS 102, the charity has chosen to stop revaluing its tangible fixed assets on an ongoing basis. Land and buildings owned at 1 July 2014 are included in the accounts at a valuation made at 31 July 2013, which has been updated by the Governing Body to arrive at a valuation as at 1 July 2014. As permitted by FRS 102, with effect from 1 July 2014 the values assigned to these properties are now deemed their cost.

This value, of £79,738,000, has been deemed to be cost and depreciated from 1 July 2014 over 40 years. The original professional valuation was prepared adopting the following bases:

- ◆ College houses – generally used for student and staff accommodation, were valued at open market value for existing use.
- ◆ College site – due to the specialised nature of the College's activities, the principal method of valuation of land and buildings was open market capital value for existing use on a depreciated replacement cost basis.

Land and buildings purchased on or after 1 July 2014 are included in the financial statements at cost. Other tangible fixed assets are stated at cost.

The insured value of freehold buildings as at 30 June 2016 was £85,291,612 (2015: £84,447,140) including limited cover for irrecoverable VAT and the costs of related professional fees.

12a Investments

Consolidated	Investment land £'000	Homerton Business Centre £'000	Quoted securities £'000	Other invest- ments £'000	Total 2016 £'000	Total 2015 £'000
At beginning of year	13,915	14,090	63,310	10	91,325	76,856
Additions	—	9,227	74,511	—	83,738	39,184
Transfer to operational assets	(8,110)	—	—	—	(8,110)	—
Disposals	—	—	(69,338)	—	(69,338)	(29,800)
Gains (loss)	585	12,083	(1,113)	—	11,555	3,547
Change in cash balances and deposits held at fund managers	—	—	171	—	171	1,538
At end of year	<u>6,390</u>	<u>35,400</u>	<u>67,541</u>	<u>10</u>	<u>109,341</u>	<u>91,325</u>
Represented by:						
Investment land					6,390	13,915
Homerton Business Centre					35,400	14,090
Quoted securities – equities					59,394	54,961
Fixed interest securities					5,093	5,466
Cash held for reinvestment					3,054	2,883
Other investments					10	10
					<u>109,341</u>	<u>91,325</u>

College	Investment land £'000	Homerton Business Centre £'000	Quoted securities £'000	Other invest- ments £'000	Total 2016 £'000	Total 2015 £'000
At beginning of year	13,915	14,090	63,310	50	91,365	76,896
Additions	—	9,227	74,511	—	83,738	39,184
Transfer to operational assets	(8,110)	—	—	—	(8,110)	—
Disposals	—	—	(69,338)	—	(69,338)	(29,800)
Gains (loss)	585	12,083	(1,113)	—	11,555	3,547
Change in cash balances and deposits held at fund managers	—	—	171	—	171	1,538
At end of year	<u>6,390</u>	<u>35,400</u>	<u>67,541</u>	<u>50</u>	<u>109,381</u>	<u>91,365</u>
Represented by:						
Investment land					6,390	13,915
Homerton Business Centre					35,400	14,090
Quoted securities – equities					59,394	54,961
Fixed interest securities					5,093	5,466
Cash held for reinvestment					3,054	2,883
Other investments					50	50
					<u>109,381</u>	<u>91,365</u>

12a Investments (continued)

Other investments comprise:

College	Investments in in subsidiary undertakings £'000	Other investments £'000	Total £'000
At beginning and end of year	40	10	50

Investments in subsidiary undertakings comprise:

Name	Country of incorporation	Shares held Class	%	Activity
Colophon Limited	England and Wales	Ordinary	100	Commercial conferencing and other trading
HBC 1 Limited	England and Wales	Ordinary	100	Holding company
HBC 2 Limited	England and Wales	Ordinary	100	Struck off on 22 September 2015

The College's quoted securities period end market valuations are provided by the College's investment managers, Rothschild Wealth Management and UBS AG.

The investment land was revalued by Carter Jonas Chartered Surveyors at £6,390,000 on 30 June 2016 updating the previous full valuation dated 31st July 2013. The valuation is undertaken on the basis of open market value taking account of the College's estates strategy for the future use of this land.

The increase in the value of Homerton Business Centre at £35,400,000 (2015: £14,089,647) reflects the revaluation by Carter Jonas at 30 June 2016. This has been valued based on the rental yield to be achieved under the Scheme.

12b Investments in joint venture

Colokate LLP is a limited liability partnership and hence has no share capital. The members of the LLP comprise HBC1 Limited and Hill Residential Limited (from 18 September 2014). Each member appoints two appointed representatives to the Management Board. Certain key decisions require the consent of both partners, so the LLP has been accounted for as a joint venture. The College's share of Colokate LLP included in these financial statements is as follows:

Turnover	2016 £'000
Administrative expenses	—
	2
	2

12b Investments in joint venture (continued)

	2016 £'000
Current assets	13,406
Liabilities due within one year	—
Homerton College's share of net assets	<u>13,406</u>

13 Stocks

	Consolidated		College	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Goods for resale	29	36	19	22
	<u>29</u>	<u>36</u>	<u>19</u>	<u>22</u>

14 Trade and other receivables

	Consolidated		College	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	352	283	207	228
Amounts due from subsidiary undertakings	—	—	12,007	6,367
Prepayments and accrued income	452	1,420	439	1,415
	<u>804</u>	<u>1,703</u>	<u>12,653</u>	<u>8,010</u>

Included within amounts due from subsidiary undertakings is £11,683,162 which is due in more than one year (2015: £5,447,208).

15 Cash

	Consolidated		College	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash at bank	4,834	6,133	4,569	5,533
Cash in hand	2	2	1	1
	<u>4,836</u>	<u>6,135</u>	<u>4,570</u>	<u>5,534</u>

16 Creditors: amounts falling due within one year

	Consolidated		College	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	1,029	2,015	1,015	1,994
Amounts due to subsidiary undertakings	—	—	8	87
Other taxation and social security	93	84	93	84
Contribution to Colleges' Fund (Statute G, II)	41	42	41	42
Other creditors and accruals	724	1,047	714	1,029
Deferred rental income (note 17)	32	32	32	32
Other deferred income	278	211	157	115
	2,197	3,431	2,060	3,383

17 Creditors: amounts falling due after one year

Consolidated and College	2016 £'000	2015 £'000
Debentures	29,829	9,943
Bank loan	20,000	12,400
Deferred rental income	2,740	2,772
	52,569	25,115

During 2013-14 the College participated in a bond issue jointly with a number of other Cambridge colleges which raised £10m (before deduction of fees) of long term unsecured funding. The debentures are wholly repayable at the end of their respective terms and are structured as follows:

Debentures	Term	Interest rate (fixed)	Amount £'000
Tranche 1a	30 years	4.40%	3,211
Tranche 1b	40 years	4.40%	2,569
Tranche 2	30 years	4.45%	4,220
Private Placement – Hermit/JP Morgan	25 Years	3.38%	20,000
Fees deducted			(171)
			29,829

On 1 July 2014 the College signed a £20m revolving credit facility with its bankers, Lloyds plc, to fund the Homerton Business Centre development. All had been drawn down at 30 June 2016. The loan expires on 30 March 2017 and interest is payable at 1.25% over LIBOR. The facility is expected to be extended to after one year from 30 June 2016.

	2016 £'000	2015 £'000
Bank loan repayable		
Within 1 year		
Within 2 – 5 years	20,000	12,400

17 Creditors: amounts falling due after one year (continued)

Deferred rental income represents the deferral of monies received from the University of Cambridge Education Faculty for the grant of a 99 year lease in 2005 over their new building that has been constructed on the College site. The receipt is being released to the statement of comprehensive income and expenditure in equal annual instalments over the lease term.

18 Provisions for liabilities and charges

Consolidated and College	2016 £'000	2015 £'000
At beginning of year	315	282
Benefits paid	(52)	(52)
Charge to income and expenditure account	38	45
Changes in actuarial assumptions	(6)	40
At end of year	295	315

The provision relates to the College's liability to enhance the pensions of teaching staff who have retired early.

19 Contingent liabilities

There are no contingent liabilities as at 30 June 2016.

20 College pension schemes

Consolidated and College	2016 £'000	2015 £'000
Deficit under Cambridgeshire County Pension Fund	1,145	779
Liability for deficit reduction payment under Universities Superannuation Scheme	361	350
Deficit at end of year	1,506	1,129

Consolidated and College	2016 £'000	2015 £'000
Deficit/(surplus) at beginning of year	(779)	(394)
Current service cost	(696)	(643)
Interest on assets	559	572
Contributions	418	408
Other finance cost	(593)	(593)
Actuarial loss	(54)	(129)
Deficit at end of year	(1,145)	(779)

20 College pension schemes (continued)

The College participates in two pension schemes, the Universities Superannuation Scheme (USS) and Cambridgeshire County Council Pension Fund (CCCPF). The CCCPF is part of the Local Government Pension Scheme (LGPS). Both schemes are defined benefit schemes that are externally funded and contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The College is unable to identify its share of the underlying assets and liabilities in respect of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS 102, 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.

CCCPF has been able to apportion a percentage of its funds, assets and liabilities relating to the College and therefore the scheme has been treated as a defined benefit scheme in the financial statements. The disclosure requirements of FRS 102 in relation to these schemes are shown below.

The College is required to contribute a specified percentage of payroll costs to the pension schemes to fund the benefits payable to the company's employees. In 2016, the percentage was USS: 18% (2015: 16%) and CCCPF: 17.5% (2015: 17.5%).

The total pension cost for the College and its subsidiaries for the year to 30 June 2016 was:

	2016 £'000	2015 £'000
Contribution USS	166	155
Current service cost of CCCPF (LGPS)	696	643
Total pension cost	862	798

The latest valuations of the schemes assets and liabilities for which results are available:

	USS	CCCPF (LGPS)
Date of valuation	31 March 2014	31 March 2013
Market valuation of assets	£41,600m	£1,494m
Past service liabilities	£46,900m	£2,048m
Deficit of assets	£(5,300)m	£(555)m

USS

The appointment of directors to the board of the 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 two and a maximum of four are co-opted 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.

20 College pension schemes (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"). The triennial valuation was carried out using the projected unit method and is currently being audited by the scheme auditor.

The 2014 valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Under FRS 102, a liability has been recognised to reflect the cost of the Recovery Plan of the Scheme to the College. At 30 June 2016 this stood at £361,000 (2015: £350,000).

FRS 102 liability numbers have been produced for the using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	N/A	3.5% first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables 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 reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.3
Males currently aged 45 (years)	26.4	26.2
Females currently aged 45 (years)	28.8	28.6

20 College pension schemes (continued)

	2016	2015
Existing benefits		
Scheme assets	£49.8bn	£49.1bn
FRS 102 liabilities	£58.3bn	£60.2bn
FRS 102 deficit	£8.5bn	£11.1bn
FRS 102 funding level	85%	82%

Cambridgeshire County Council Pension Fund (CCCPF (LGPS))

The CCCPF is a defined benefit scheme based on final pensionable salary.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The main assumptions used for the purposes of FRS 102 are as follows:

	2016	Restated 2015
Discount rate	2.9%	3.7%
Rate of increase of salaries	4.0%	4.5%
Rate of increase of pension in payment	2.0%	2.6%

Assets are valued at fair value, principally market value for investments, and comprise:

	2016 £'000	2015 £'000
Equities	11,872	11,278
Bonds	2,603	2,105
Property	1,302	1,203
Other	486	451
	16,263	15,037

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations in years on retirement age 65 are:

	30 June 2016	30 June 2015
Current pensioners		
Males	22.5	22.5
Females	24.5	24.5
Future pensioners		
Male	24.4	24.4
Females	26.9	26.9

20 College pension schemes (continued)

Cambridgeshire County Council Pension Fund (CCCPF (LGPS)) (continued)

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000	31 July 2013 £'000	31 July 2012 £'000
Present value of funded obligations	(17,408)	(15,816)	(14,284)	(11,753)	(11,944)
Fair value of plan assets	16,263	15,037	13,890	12,658	11,109
	(1,145)	(779)	(394)	905	(835)
Present value of unfunded obligations	-	-	-	-	(1)
Net liability/(assets) recorded in the balance sheet	(1,145)	(779)	(394)	905	(836)
Experience gain/(loss) on assets	204	177	534	1,114	(336)
Experience loss/(gain) on liabilities	(570)	(560)	(1,901)	658	(1,060)

	2016 £'000	Restated 2015 £'000
Amounts charged to income and expenditure account		
Current service cost	696	643
Interest on obligation	593	593
Interest on assets	(559)	(572)
	730	664

	2016 £'000	Restated 2015 £'000
Analysis of amounts recognised in other comprehensive income		
Return on assets excluding amounts included in net interest	516	431
Changes in financial assumption	(757)	(674)
Other experience	187	114
Total actuarial loss recognised	(54)	(129)

20 College pension schemes (continued)***Cambridgeshire County Council Pension Fund (CCCPF (LGPS)) (continued)***

Changes in the present value of the defined benefit obligation:	2016 £'000	Restated 2015 £'000
Opening defined benefit obligation	15,816	14,284
Current service cost	696	643
Interest cost	593	593
Contributions by members	155	150
Changes in financial assumption	757	674
Other experience gains	(187)	(114)
Benefits paid	(422)	(414)
Closing defined benefit obligation	17,408	15,816

Changes in the fair value of plan assets:	2016 £'000	Restated 2015 £'000
Opening fair value of plan assets	15,037	13,890
Net interest	559	572
Contributions by members and other bodies	155	150
Contributions by employer	418	408
Return on assets excluding amounts include in net interest	516	431
Benefits paid	(422)	(414)
Closing fair value of plan assets	16,263	15,037

The College expects to contribute £432,000 to its defined benefit pension scheme in the year ending 30 June 2017.

The management bases required by FRS 102 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by independent actuaries based on the expected long term rate of return on the scheme assets.

21 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 may have 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.

Colokate LLP (partnership registration number OC389639) is a joint venture. There were transactions of £2k expenditure in the year in respect to legal fees (see note 12b). There was a balance due to the LLP from the College of less than £1k as at 30 June 2016.

22 Reconciliation of consolidated operating (loss) surplus to net cash inflow from operating activities

	2016 £'000	2015 £'000
(Loss) surplus on continuing operations	(522)	38
Depreciation of tangible fixed assets	1,951	1,809
Interest payable	997	445
Foreign exchange translation difference	—	(18)
Investment income	(2,385)	(2,001)
Pension costs less contributions payable	288	440
Transfer of land from stock to investment in joint venture	—	(7,500)
Decrease/(increase) in stocks	6	7,499
(Increase)/decrease in debtors	899	(1,124)
Increase/(decrease) in creditors due within one year	(1,232)	1,947
Decrease in provisions	19	(7)
Net cash inflow from operating activities	<u>21</u>	<u>1,529</u>

23 Cash flows from investing activities

	2016 £'000	2015 £'000
Investment income received	2,340	1,989
Bank interest received	45	12
Purchase of tangible fixed assets	(9,916)	(1,002)
Purchase of investments	(83,738)	(39,184)
Investment in joint venture	(5,675)	(252)
Proceeds of disposal of investments	69,338	29,800
Total cash flows from investing activities	<u>(27,606)</u>	<u>(8,637)</u>

24 Cash flows from financing activities

	2016 £'000	2015 £'000
Issue of debentures	2	2
Interest paid	(997)	(445)
Receipt from loan borrowing	27,452	12,400
Total cash flows from financing activities	<u>26,457</u>	<u>11,957</u>

25 Analysis of changes in cash and cash equivalents

Consolidated	At 1 July 2015 £'000	Cash flows £'000	At 30 June 2016 £'000
Cash at bank and in hand	6,135	(1,299)	4,836
Cash held with fund managers for reinvestment	2,883	171	3,054
	<u>9,018</u>	<u>(1,128)</u>	<u>7,890</u>

26 Capital commitments

	Tangible Fixed Assets 2016 £'000	Homerton Business Centre 2016 £'000	Tangible Fixed Assets 2015 £'000	Homerton Business Centre 2015 £'000
Authorised and contracted for	659	—	10,719	25,564
Authorised but not yet contracted for	353	—	174	—

27 Transition to FRS 102 and 2015 RCCA

In preparing the financial statements, the Members of Council have considered whether in applying the accounting policies required by FRS 102 a restatement of comparative items was needed.

In accordance with the requirements of FRS 102 a reconciliation of the opening balances and net income (expenditure) for the year is provided with the net income under previous GAAP adjusted for the changes required upon transition to FRS 102:

	2015 £'000
Reconciliation of reported income:	
Net income (expenditure) as previously stated	1,015
Adjustment for release of deferred capital grant previously recognised in income	(79)
Inclusion of contribution under Statute G, II as expenditure	(42)
Adjustment for change in analysis of Pension Scheme interest income	(254)
USS Pension change in deficit repayment liability	(185)
Additional depreciation on buildings previously revalued	(436)
Adjustment for gains (losses) on investments now treated as a component of net income	3,547
2015 net income as restated	<u>3,566</u>

Change in analysis of pension scheme interest income

Movements in the defined benefit pension deficit in the year have been reanalysed. The changes resulted in an increase in expenditure and a decrease in actuarial losses.

27 Transition to 2015 RCCA (continued)

USS Pension liability

The College has entered into a Recovery Plan with the Universities' Superannuation Scheme to fund the deficit within the Scheme. Consequently, the College has recognised a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the statement of comprehensive income and expenditure.

Depreciation on buildings previously revalued

Previously, functional buildings were included at a valuation. In the years between the valuations, the buildings were depreciated over 50 years. The College has assessed the useful economic life of the buildings at 1 July 2014 and have concluded that the buildings had a remaining useful life of 40 years as at that date. The buildings were depreciated previously over 50 years, so additional depreciation has been charged in the comparative period, with a corresponding increase in the value of the buildings as at 30 June 2016.

Fair value deemed as cost

As permitted under Financial Reporting Standard FRS 102, the charity has chosen to stop revaluing its tangible fixed assets on an ongoing basis. Land and buildings owned at 1 July 2014 are included in the accounts at a valuation made at 31 July 2013, which has been updated by the Governing Body to arrive at a valuation as at 1 July 2014. As permitted by FRS 102, with effect from 1 July 2014 the values assigned to these properties are now deemed their cost.

As required by section 35 of FRS 102, the final balance sheets for 2015 and 2014 have been restated as if FRS 102 were in force at the beginning of the previous accounting period. The reconciliations for 2015 and 2014 have been shown in order to demonstrate the effect of the change in reporting framework for the opening balances as at 1 July 2015 and 1 July 2014.

Reconciliation of reported net assets	2015	2014
Group	£'000	£'000
	£	£
Net funds at end of year as previously stated	159,008	145,588
USS pension liability	(350)	(165)
Revaluation gains on College buildings deemed as cost	8,333	8,333
Reversal of previous valuation of College buildings at 30 June 2015	(9,402)	—
Additional depreciation on buildings deemed as cost	(436)	—
Net funds as restated	157,153	153,756