

Homerton College

Annual Report and Financial Statements

30 June 2015

Charity Registration Number 1137497

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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

Mr Stephen Watts

Dr Richard Hickman

Dr André Neves

Dr Katherine Boyle

Dr Veronika Fikfak

Dr David Clifford

Dr Daniel Trocmé-Latter (appointed 30 September 2014)

Dr Louise Joy (appointed 30 September 2014)

Dr Simon Wadsley (resigned 30 September 2014)

Dr Thomas Graumann (resigned 22 January 2015)

Dr Olivier Tonneau (term ended 30 September 2014)

Prof Maria Nikolajeva (term ended 30 September 2014)

Co-opted Fellows

Dr Lauren Waszek (term ended 30 September 2014)

Dr Melanie Keene

Student Members (not Trustees)

JCR President Mr Jack Hooper

MCR President Mr Christopher Ashcroft

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

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 2015. 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 23 to 27 and comply with applicable laws and the requirements of the Recommended Cambridge College Accounts (RCCA).

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 14 and 15.

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, HBC 2 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.

ACHIEVEMENTS AND PERFORMANCE

Students

Academic achievements and performance

Student membership of the College was as follows:

| Academic year ended 30 June | 2013 | 2014 | 2015 |
|---|--------------|--------------|--------------|
| Undergraduates | 585 | 581 | 553 |
| Postgraduate Certificate in Education (PGCE) students | 327 | 277 | 264 |
| Higher Degree students - Full time | 158 | 157 | 147 |
| - Part time | 170 | 234 | 263 |
| Total | 1,240 | 1,249 | 1,227 |

The College admitted undergraduates for 22 of the 25 Cambridge Triposes. Students are supported in their studies by the academic staff of the College headed by the Senior Tutor, which include 10.8 College Teaching Officers (CTOs) on a full time equivalent basis, 38 Directors of Studies, 17 Tutors and numerous Supervisors.

Whilst third and fourth year finalists achieved 79% First and 2.1 degrees which compares well with Cambridge University averages, the number of Firsts achieved by Homerton students was disappointing. The Academic Strategy and College educational policy continue to focus on ensuring students reach their full potential and on increasing the proportion of students achieving a First Degree.

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, 143 (2013-14: 193) Homerton students benefited from the scheme to the value of £422,148 (2013-14: £509,092).

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 £163,320 (2013-14: £87,126).

The College entered a donation agreement with Santander UK to receive over £45,000 pounds for student support over the next three years. Starting in June 2015, the College is now awarding five second year undergraduate scholarships of £1,000 pounds each, five prizes for Masters students who obtain an overall Distinction, and travel awards every year until 2018.

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 shares a joint post of Schools Liaison Officer with Selwyn College. The Schools Liaison Officer, in consultation with the Admissions Tutor, operates an outreach programme of visits to schools, visits by schools to the College and open days. During the year, 493 (2013-14: 316) students from 19 (2013-14: 13) schools visited the College and a further 23 (2013-14: 30) 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.

To bring more aspiring secondary school pupils into Homerton, the College hosted the finals of Poetry By Heart - the national poetry recitation competition for pupils aged 14 to 18. This year, 333 schools and colleges from across the country took part in 43 county competitions; the winners gathering at Homerton in March for the final contest to crown a national champion.

Extra-curricular achievements and performance

The College supports a wide range of extra-curricular activities by the students through the subvention to the Homerton Union of Students (HUS) which comprises both the Junior Common Room (JCR) and the Middle Common Room (MCR). For 2015 the support for societies was doubled and funding made available to support coaching, teaching, facility hire and kit requirements. In addition the College awards a cash prize to those students who have been awarded a Blue or Half-Blue for their University representation. 14 such awards were made during the year. A funding plan has been put in place to enable more regular replacement of College boats, this includes a generous gift from a parent donor funding a new boat launched for May Bumps.

Music continues to be an area of great support from the College and the three year programme to provide all music students with digital pianos and replace practice pianos throughout the College is well under way. The Charter Choir has continued to grow from strength to strength again this year with the addition of many talented new members. Following a highly successful tour in the summer of 2014 to Ireland, the Choir's first CD was released at Christmas.

The College gym continues to be very popular with students, fellows and staff. The provision of sports facilities, art and music rooms and a performance centre will be considered in a new "student hub" planned for Phase 3 of the Estate Strategy.

Research

Full Fellows (categories A, B, C and D) of the College are entitled to the use of a computer and an annual research allowance towards the costs of their research. Research allowances were increased during the year. Our Fellows are encouraged to attend and speak at conferences worldwide.

Research was also advanced by the College's support of nine Junior Research Fellowships (6 of which are stipendiary) and three Senior Research Fellows. All Research Fellows (category C) are entitled to an enhanced research allowance towards the cost of their research work.

The College continues to look at ways to strengthen the research community at Homerton. Following the College's first successful year on the College Affiliation Scheme for Postdoctoral Researchers, a further nine Research Associates were appointed during the year for three year terms bringing the total to 14. The College would like to build up a community of 24 Research Associates as they become a valuable part of the research community at Homerton contributing to seminars, teaching and discussion. One of last year's Research Associates became a Junior Research Fellow of the College in October 2014.

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 2015. The net surplus on continuing operations after a contribution of £42,000 (2013-14: £40,000) to the Colleges' Fund under University of Cambridge Statute G, II was £973,282 (2013-14: £1,606,662).

Net cash inflow from operating activities was £831,746 (2013-14: £255,554).

Education Account

The per capita rate applicable to the undergraduate college fee for Home and EU students was £4,500 for students in years one to three and £3,951 for students in year 4. The graduate and PGCE fee was increased by 2.06% to £2,474 (2013-14: £2,424). Total income from college fees, grants etc amounted to £4,105,685 (2013-14: £4,129,111).

Education expenditure was £4,756,335 (2013-14: £4,355,658), leaving a balance of net excess expenditure of £650,650 (2013-14: £226,547).

Residence and catering accounts

The College is very mindful of student finances and strives to keep room rents and catering prices as low as possible whilst maintaining a high standard of (mostly en-suite) accommodation through regular refurbishment - see section below on maintenance of buildings and capital expenditure. Following many years of price freezes and very low price rises, this year room rents increased by 3% and food prices by 2.5%. The Minimum Meal Charge (MMC) increased by 2.7% for undergraduates and remained frozen for graduates.

The residence account income was £2,399,298 (2013-14: £2,240,264). Costs for the year were £2,136,317 (2013-14: £1,950,661) resulting in a surplus of £262,981 (2013-14: £289,603).

Term time students, staff and college function catering produced a turnover of £891,138 (2013-14: £842,678). After allowing for pay expenditure of £589,407 (2013-14: £592,072) and non-pay and overheads of £701,677 (2013-14: £574,825), the account was in deficit by £399,946 (2013-14: deficit by £324,219). The popularity of the Buttery and Bar which currently doubles up as the JCR increased following the refurbishment in the summer of 2014 which included better lighting and sound controls.

Overall the College aims for the combined results of the Residence and Catering Accounts to break even. With the new graduate accommodation opening in 2016, the College will need to look at the rent and catering charges to ensure breakeven is achieved going forward.

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 voluntary donations than other colleges due to the age 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 £1,662,158 (2013-14: £1,752,343). Direct conference expenditure amounted to £614,655 (2013-14: £600,704), giving a net contribution towards the overheads of the College of £1,047,503 (2013-14: £1,151,639).

Conference income mix changed during the year with less catering and academic conference business and more corporate meetings. The Conference team is looking to grow catering revenues in particular in 2015-16. Improvements to the Conference Centre included the refurbishment of the reception area.

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 2014 and include:

- ◆ refurbishment of the house purchased during 2013-14 on Coleridge Road to provide additional graduate accommodation;
- ◆ refurbishment of the family house on Hills Road for a Junior Research Fellow and her family;
- ◆ redecoration of South Court and Harrison House; and
- ◆ a number of major boiler replacements.

During the summer of 2014, the first phase of a 3 year programme to improve wi-fi access throughout the College was commenced.

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 order to achieve this, the portfolio is managed on a total return basis by investment managers, UBS AG. In line with the investment policy, the management of the investment portfolio was re-tendered in 2015. The Investment Committee undertook a thorough process and in June 2015 proposed that Rothschild Wealth Management (UK) Ltd would manage the portfolio going forward.

Overall, the College portfolio has increased in value from £60,223,446 to £63,310,445 at the year end (note 12a), which when taken with the income generated, comfortably exceeds the total target return.

Trustees' report (incorporating the operating and financial review) Year to 30 June 2015

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. On 20 August 2014 the College signed a contract with Mansell Construction Services Limited for £17.9m to build the commercial part of the Homerton Business Centre, and construction commenced in September 2014 with completion planned for Spring 2016.

On 18 September 2014, HBC 2 Limited was replaced as a designated member in Colokate LLP by Hill Residential Limited, a third party property developer, in order to facilitate the development of the residential part of the Homerton Business Centre. An application for detailed planning permission for the residential part was subsequently submitted and obtained in February 2015. The development should be completed by the end of 2017 with all units sold on 125 year leases, including 40% sold to Cambridge City Council in fulfilment of the affordable housing planning requirement.

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.

Property revaluation

Carter Jonas (incorporating Januarys) Chartered Surveyors provided a desktop revaluation of their full valuation at 30 June 2013 and revalued the College's houses and buildings for domus use at £80,097,090.

Carter Jonas also performed a desktop valuation of the investment land as at 30 June 2015, revaluing it upwards from £12,650,000 to £13,915,000 (see note 12a).

The increase in valuation of Homerton Business Centre to £14,089,647 (2014: £3,972,401) reflects the construction costs and professional fees incurred during the year.

Staff costs and pensions

Total payroll costs, including employer's pension and national insurance contributions, were £4,870,898 (2013-14: £4,489,152) (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.

Trustees' report (incorporating the operating and financial review) Year to 30 June 2015

LGPS

The LGPS share of deficit, calculated to meet the requirements of FRS17, attributable to existing and former staff was £779,000 (2013-14: £394,000). 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 88% as at 31 March 2014) increasing the deficit to £8.3bn.

As part of the triennial valuation, the trustees have published the recovery plan which confirms that employers will pay 2.1% of salaries towards the past service deficit, over a 17 year period from April 2016. Employer contribution will therefore increase to 18%.

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.

The total unrestricted funds of the group totalled £156,576,124 at 30 June 2015 (30 June 2014: £143,076,329). Of this, the general reserve excluding the pension reserve amounted to £80,816,036 (30 June 2014: £73,095,738).

PLANS FOR FUTURE PERIODS AND POST BALANCE SHEET EVENTS

Short-term future plans and activities

Graduate accommodation

The construction of a new 120 bedroom graduate accommodation block with an MCR and changing rooms commenced at the end of June 2015 with a scheduled completion date of 2 September 2016. This is adjacent to the current graduate block, Harrison House, and will provide "a campus within a campus" for the College's graduate community. Keir were appointed to undertake the £10.5m construction.

Estates strategy funding

After consideration of alternatives, a private placement was agreed by Council in July 2015 to be the most cost effective option with less risk exposure for funding Phase 1 of the Estates Strategy, the graduate accommodation, and later phases. Whilst this was processed, a short-term (4 months) revolving credit facility was arranged with Lloyds Bank.

The private placement was successful in raising £20m, the proceeds being received on 28 August 2015. This is for a 25 year term at an interest rate of 3.38% fixed for the term. Funds have been invested in short-term deposits and high-grade corporate bonds as it is envisaged that these funds will be required within the next three years. Council undertook to build up investments over the next ten years to fund the repayment and earn interest to meet the bond commitments.

Estates strategy – later phases

The Estates Working Group continues to look at options for providing a long-term solution to improve the catering facilities including storage and kitchen facilities. In 2016 an architectural competition is planned to design a new Porters Lodge.

Homerton Business Centre

In May 2015, work commenced on the residential development. This is being undertaken by our partners, Hill Residential Limited, via the joint venture in Colokate LLP. Funding to the joint venture Colokate LLP is largely provided by College subsidiary, HBC1 Ltd. In July 2015, Homerton College Council approved the extension of the loan and certain additional rights related to the transfer of the land to HBC1 Limited in November 2013.

The Deed of Amendment and Restatement to a Loan Agreement was signed on 4 August 2015. This increases the loan amount to £13.5m (adding a further £8.5m to the original sum, which includes the £80,000 Colokate will owe HBC 1 in consideration for the grant of the additional rights) and extends the length of the term of the loan agreement for a further year.

Cambridge Cookery School and NEC have signed new leases with College and are moving into the refurbished Rattee and Kett building in 2015.

The sale and purchase agreements relating to the sale of Block D1 lease, a number of leases in Block 2 and Purbeck Road house leases to Cambridge City Council to provide affordable housing in accordance with the S106 planning requirements were signed by Colokate LLP on 4 August 2015.

Trustees' report (incorporating the operating and financial review) Year to 30 June 2015

Refurbishment during Summer 2015

As usual, during the Summer 2015, a number of building projects were completed. These included:

- ◆ Boiler replacements in the Cavendish and Mary Allan buildings;
- ◆ Lift replacement in West House;
- ◆ Refurbishment of the kitchens in Harrison House;
- ◆ Refurbishment of two JRF flats on Hills Road; and
- ◆ Salto lock installation in East, West and part of Cavendish buildings.

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.


The key risks to be managed are the potential changes in undergraduate, graduate and in particular, PGCE student fee income. Contingency plans have been drawn up to mitigate the impact of a potential drop in student fee income and the resulting effect on the Estates Strategy.

AUDITOR

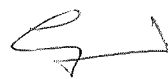
In so far as the trustees are aware:

- ◆ 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 3 December 2015 and signed on its behalf by:



Deborah Griffin
Bursar and Fellow



S. WARD

Principal

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 Council is advised in carrying out its duties by a number of Committees. These are:

- ◆ Advisory Committee to the Dean
- ◆ Development Committee
- ◆ Fellowship Committee
- ◆ Investment Committee
- ◆ IT Committee
- ◆ Benefits Committee
- ◆ Research Committee
- ◆ Catering and Bar Committee
- ◆ Educational Policy Committee
- ◆ Environment Committee
- ◆ Library Committee
- ◆ Donations Committee
- ◆ Student Hardship Committee
- ◆ Fellows Remuneration committee
- ◆ Staff Remuneration committee

The Governing Body is advised by:

- ◆ Equal Opportunities Monitoring Committee
- ◆ Health and Safety Committee
- ◆ Audit Committee
- ◆ Statutes and Ordinances Committee

The Principal Officers of the College are:

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

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 2015 are set out on page 1.

Statement of Internal Control

The Council is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Council 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 2015 and up to the date of approval of the financial statements.

The Council 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 Council 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 Council'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 2015

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 Governing Body 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 2015 which comprise the consolidated income and expenditure account, the consolidated and College balance sheets, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement, 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).

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.

Independent auditor's report 30 June 2015

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 2015 and of the group's incoming resources and application of resources, including 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 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 2015 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.

Buzacott LLP

Buzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

15 December 2015

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

Consolidated income and expenditure account Year to 30 June 2015

| | Note | 2015 £ | 2014 £ |
|---|------|---------------------|---------------------|
| Income | | | |
| Academic fees and charges | 1 | 4,105,685 | 4,129,111 |
| Residences, catering and conferences | 2 | 5,033,907 | 4,903,345 |
| Investment income | 3 | 2,000,791 | 1,840,781 |
| Donations | 4 | 198,885 | 148,984 |
| Other income | 5 | 1,137,234 | 1,066,248 |
| | | <u>12,476,502</u> | <u>12,088,469</u> |
| Expenditure | | | |
| Education | 6 | (4,756,335) | (4,355,658) |
| Residences, catering and conferences | 7 | (4,985,781) | (4,542,336) |
| Other expenditure | 8 | (1,700,359) | (1,543,813) |
| | 9 | <u>(11,442,475)</u> | <u>(10,441,807)</u> |
| Net surplus on continuing operations | | <u>1,034,027</u> | 1,646,662 |
| Operating loss on joint venture (share of turnover: £nil, share of expenditure: £18,745) | 12b | <u>(18,745)</u> | — |
| Surplus on continuing operations before Contribution under Statute G, II | | <u>1,015,282</u> | 1,646,662 |
| Contribution under Statute G, II | | <u>(42,000)</u> | <u>(40,000)</u> |
| Surplus on continuing operations after Contribution under Statute G, II retained within general reserves | 21 | <u>973,282</u> | <u>1,606,662</u> |

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

Note of historical cost surpluses for the year ended 30 June 2015

| | Note | 2015 £ | 2014 £ |
|--|------|------------------|------------------|
| Surplus on continuing operations | | 973,282 | 1,606,662 |
| Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount | 21 | 1,642,157 | 758,745 |
| Realisation of gains on disposal of fixed asset investments | | <u>5,143,637</u> | <u>2,571,039</u> |
| Historical cost surplus for the year | | <u>7,759,076</u> | <u>4,936,446</u> |

Consolidated balance sheet 30 June 2015

| | Note | 2015 £ | 2014 £ |
|---|------|--------------------|--------------|
| Fixed assets | | | |
| Tangible assets | 11 | 81,717,178 | 72,685,280 |
| Investments | 12a | 91,325,092 | 76,855,847 |
| Investment in joint venture (share of assets: £7,753,650, share of liabilities: £21,045) | 12b | 7,732,605 | — |
| | | 180,774,875 | 149,541,127 |
| Current assets | | | |
| Stocks | 13 | 35,561 | 7,533,859 |
| Debtors | 14 | 1,702,800 | 578,431 |
| Cash at bank and in hand | 15 | 6,135,143 | 2,806,776 |
| | | 7,873,504 | 10,919,066 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 16 | (3,430,971) | (1,452,114) |
| Net current assets | | 4,442,533 | 9,466,952 |
| Total assets less current liabilities | | 185,217,408 | 159,008,079 |
| Creditors: amounts falling due after more than one year | 17 | (25,114,963) | (12,744,862) |
| Provisions for liabilities and charges | 18 | (315,226) | (281,511) |
| Net assets excluding pension scheme liability | | 159,787,219 | 145,981,706 |
| Pension scheme liability | 22 | (779,000) | (394,000) |
| Net assets including pension scheme liability | | 159,008,219 | 145,587,706 |
| Represented by: | | | |
| Restricted deferred capital grants | 20 | 2,432,095 | 2,511,377 |
| Unrestricted reserves | | | |
| General reserves excluding pension reserve | | 80,816,036 | 73,095,738 |
| Pension reserve | 22 | (779,000) | (394,000) |
| Operational property revaluation reserve | 21 | 56,056,158 | 48,295,092 |
| Fixed asset investment revaluation reserve | 21 | 20,482,930 | 22,079,499 |
| Total funds | | 159,008,219 | 145,587,706 |

The financial statements were approved by the Governing Body on 3 December 2015 and were signed on their behalf by:



Deborah Griffin
Bursar



Geoffrey Ward
Principal

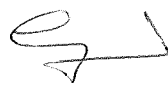
College balance sheet 30 June 2015

| | Notes | 2015 £ | 2014 £ |
|---|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible fixed assets | 11 | 81,661,419 | 72,624,604 |
| Investments | 12a | 91,365,094 | 76,895,849 |
| | | <u>173,026,513</u> | <u>149,520,453</u> |
| Current assets | | | |
| Stock | 13 | 22,485 | 20,414 |
| Debtors | 14 | 8,009,895 | 6,188,552 |
| Cash at bank and in hand | 15 | 5,534,417 | 2,388,183 |
| | | <u>13,566,797</u> | <u>8,597,149</u> |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 16 | (3,383,135) | (1,435,245) |
| | | <u>10,183,662</u> | <u>7,161,904</u> |
| Net current assets | | | |
| | | <u>183,210,175</u> | <u>156,682,357</u> |
| Total assets less current liabilities | | | |
| | | <u>183,210,175</u> | <u>156,682,357</u> |
| Creditors: amounts falling due after more than one year | 17 | (25,114,963) | (12,744,862) |
| Provisions for liabilities and charges | 18 | (315,226) | (281,511) |
| | | <u>157,779,986</u> | <u>143,655,984</u> |
| Net assets excluding pension scheme liability | | | |
| | | <u>157,779,986</u> | <u>143,655,984</u> |
| Pension scheme liability | 22 | (779,000) | (394,000) |
| | | <u>157,000,986</u> | <u>143,261,984</u> |
| Net assets including pension scheme liability | | | |
| | | <u>157,000,986</u> | <u>143,261,984</u> |
| Represented by: | | | |
| Restricted deferred capital grants | 20 | 2,432,095 | 2,511,377 |
| Unrestricted reserves | | | |
| General reserves excluding pension reserve | | 78,808,803 | 73,270,016 |
| Pension reserve | 22 | (779,000) | (394,000) |
| Operational property revaluation reserve | 21 | 56,056,158 | 48,295,092 |
| Fixed asset investment revaluation reserve | 21 | 20,482,930 | 19,579,499 |
| | | <u>157,000,986</u> | <u>143,261,984</u> |
| Total funds | | | |
| | | <u>157,000,986</u> | <u>143,261,984</u> |

The financial statements were approved by the Governing Body on 3 December 2015 and were signed on their behalf by:



Deborah Griffin
Bursar



Geoffrey Ward
Principal

Consolidated statement of total recognised gains and losses 30 June 2015

| | Note | 2015 £ | 2014 £ |
|---|-------|--------------------|-------------|
| Surplus on income and expenditure account | | 973,282 | 1,606,662 |
| Unrealised gains on investments | 12,21 | 3,547,068 | 6,210,228 |
| Unrealised gain on revaluation of fixed assets | 11 | 9,403,223 | — |
| Deferred capital grant released to income and expenditure account | 20 | (79,282) | (79,282) |
| Actuarial loss in respect of pension schemes | 22 | (383,000) | (1,367,000) |
| Changes in assumptions arising on teachers' pension obligations | 18 | (40,778) | (64,632) |
| Total recognised gains relating to the year | | 13,420,513 | 6,305,976 |
| Reconciliation | | | |
| Opening funds | | 145,587,706 | 139,281,730 |
| Total recognised gains for the year | | 13,420,513 | 6,305,976 |
| Closing funds | | 159,008,219 | 145,587,706 |

Consolidated cash flow statement Year to 30 June 2015

| | Note | 2015 £ | 2014 £ |
|--|------|---------------------|--------------|
| Net cash inflow from operating activities | 24 | 831,746 | 255,554 |
| Returns on investment and servicing of finance | 24 | 2,000,791 | 1,840,781 |
| Capital expenditure and financial investment | 25 | (10,385,341) | (14,689,322) |
| Financing | 25 | 12,401,782 | 9,941,091 |
| Increase/(decrease) in cash in the year | 26 | 4,848,978 | (2,651,896) |
| Reconciliation of net cash flow to movement in net funds/(debt) | | | |
| Increase/(decrease) in cash in the year | 26 | 4,848,978 | (2,651,896) |
| Cash inflow from financing | | (12,401,782) | (9,941,091) |
| Change in net debt resulting from cash flows | 26 | (7,552,804) | (12,592,987) |
| Foreign exchange translation difference | 26 | 17,806 | (15,487) |
| Movement in debt in the year | | (7,534,998) | (12,608,474) |
| Net (debt)/funds at beginning of year | | (5,789,792) | 6,818,682 |
| Net debt at end of year | 26 | (13,324,790) | (5,789,792) |

Basis of preparation

The financial statements for the year ended 30 June 2015 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 for accounting in Further and Higher Education 2007 (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 9.

Basis of accounting

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.

Basis of consolidation

The consolidated financial statements consolidate the College and its subsidiaries (see note 12a) for the year ended 30 June 2015. The accounts of the Students' Union are not consolidated as this is a separate body in which the College has no financial interest and over whose policy decisions it has no control.

Joint venture

The College's investment in Colokate LLP has been accounted for as a joint venture. The gross 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.

Restricted grant income

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

Recognition of income (continued)

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 recognised on an accruals basis and is received from a range of activities including residences, catering, conferences and other services rendered.

Investment income

All investment income is credited to the income and expenditure account in the year in which it is earned.

Expenditure

Expenditure is accounted for on an accruals basis including irrecoverable VAT.

Investment management costs associated with the management of the College's investment portfolio are generally deducted from investment sales and purchase transactions by the investment manager, and hence are not separately disclosed. However, where such costs are separately identifiable and charged to the College as such (mainly on private equity investments), they are shown within other expenditure.

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 FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 FRS 17 "Retirement 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 the statement of total recognised gains and losses.

Tangible fixed assets

Land and buildings

The College has adopted a policy of revaluation. A full valuation is normally obtained every five years and an interim valuation in the intervening third year. Details of the latest valuation of the College's operational site and premises are given in note 11.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated. 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.

Tangible fixed assets (continued)

Land and buildings (continued)

Where the land and buildings were acquired with the aid of capital grants received from HEFCE, specific bequests or donations they are capitalised and depreciated as above. The related HEFCE capital grants and, where in the past it has been possible to identify the nature and purpose of the building grants have been credited to a deferred capital grant account. The grants are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

In accordance with the College's capitalisation policy 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 |
| Computers and general equipment | 20% per annum |

Where equipment is acquired with the aid of specific bequests or donations it is capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and released to the income and expenditure account over the expected useful economic life of the related asset on a consistent basis with the depreciation policy.

Investments

Fixed asset investments are included in the balance sheet at market 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 total recognised gains and losses. Surplus or losses on sale of investments are taken to the statement of total recognised gains and losses.

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 income and expenditure account.

Stocks

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

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.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

Notes to the financial statements Year to 30 June 2015

1 Academic fees and charges income

| | 2015 £ | 2014 £ |
|---|------------------|------------------|
| College fees | | |
| Fee income paid on behalf of Undergraduates at the Publically-funded Undergraduate rate | | |
| Per capita fee: £4,500/£4,185 (2013-14: £4,500/£4,068) | 2,112,229 | 2,185,002 |
| Privately-funded Undergraduate fee income | | |
| Per capita fee: £5,869 (2013-14: £5,541) | 398,394 | 323,225 |
| Fee income received at the Graduate fee rate (including PGCEs) | | |
| Per capita fee: £2,474 (2013-14: £2,424) | 1,253,726 | 1,188,638 |
| Income from Cambridge Bursary Scheme | 341,336 | 432,246 |
| | 4,105,685 | 4,129,111 |

2 Residences, catering and conferences income

| | 2015 £ | 2014 £ |
|-----------------------------|------------------|------------------|
| Accommodation | | |
| College members | 2,399,298 | 2,240,264 |
| Conferences | 597,302 | 729,724 |
| Catering | | |
| College members | 891,138 | 842,678 |
| Conferences | 330,720 | 430,418 |
| Colophon conferences | | |
| Accommodation | 359,647 | 264,449 |
| Catering | 374,489 | 327,752 |
| College bar | 81,313 | 68,060 |
| | 5,033,907 | 4,903,345 |

3 Investment income

| Analysis of income | 2015 £ | 2014 £ |
|---------------------------|------------------|------------------|
| Land and buildings | 22,608 | 154,820 |
| Quoted securities | 1,966,401 | 1,667,925 |
| Cash deposits | 11,782 | 18,036 |
| | 2,000,791 | 1,840,781 |

4 Donations

| | 2015 £ | 2014 £ |
|---|----------------|----------------|
| Unrestricted donations | 119,603 | 69,702 |
| Released from deferred capital grants (note 20) | 79,282 | 79,282 |
| | 198,885 | 148,984 |

Notes to the financial statements Year to 30 June 2015

5 Other income

| | 2015 £ | 2014 £ |
|---|------------------|------------------|
| Servicing and recharges to the University of Cambridge | 612,628 | 633,139 |
| Miscellaneous income | 273,800 | 277,109 |
| Foreign exchange translation differences on investments | 17,806 | — |
| Other finance income: | | |
| Expected return on pension scheme assets (note 22) | 826,000 | 733,000 |
| Other pension scheme finance costs (note 22) | (593,000) | (577,000) |
| | 1,137,234 | 1,066,248 |

6 Education expenditure

| | 2015 £ | 2014 £ |
|-----------------------------------|------------------|------------------|
| Teaching | 2,138,150 | 1,938,242 |
| Tutorial | 802,034 | 690,431 |
| Admissions | 918,439 | 995,820 |
| Research | 310,246 | 294,210 |
| Scholarships and bursaries awards | 171,945 | 88,926 |
| Other educational facilities | 415,521 | 348,029 |
| | 4,756,335 | 4,355,658 |

7 Residences, catering and conferences expenditure

| | 2015 £ | 2014 £ |
|----------------------|------------------|------------------|
| Accommodation | | |
| College members | 2,136,317 | 1,950,661 |
| Conferences | 588,014 | 618,203 |
| Catering | | |
| College members | 1,291,084 | 1,166,897 |
| Conferences | 162,053 | 210,905 |
| Colophon conferences | | |
| Accommodation | 554,336 | 380,899 |
| Catering | 183,500 | 160,599 |
| College bar | 70,477 | 54,172 |
| | 4,985,781 | 4,542,336 |

8 Other expenditure

| | 2015 £ | 2014 £ |
|---|------------------|-----------|
| College administration | | |
| Pay expenditure: | | |
| Directorate | 6,725 | 10,113 |
| Administrative staff | 767,515 | 584,662 |
| | 774,240 | 594,775 |
| Non-pay expenditure: | | |
| Building repairs and maintenance | 201,477 | 134,459 |
| Building feasibility study | 12,935 | 272,807 |
| Fuel and light | 116,335 | 126,478 |
| Rates | 31,711 | 21,236 |
| Depreciation: buildings | 367,214 | 393,786 |
| Depreciation: furniture and equipment | 27,411 | 42,883 |
| Homerton Business Centre costs | 15,158 | 148,343 |
| Debenture interest payable | 444,725 | 264,914 |
| Investment management charges | 221,402 | 87,265 |
| Foreign exchange translation differences on investments | — | 15,487 |
| Other expenses | 360,251 | 211,282 |
| Reclassification of costs to residence | (873,248) | (769,902) |
| | 1,700,359 | 1,543,813 |

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

9 Analysis of expenditure by activity

| | Staff costs (note 10) £ | Other operating expenses £ | Depreciation (note 11) £ | Total £ |
|---|-------------------------------|----------------------------------|--------------------------------|-------------------|
| 2015 | | | | |
| Education (note 6) | 2,267,130 | 2,213,738 | 275,467 | 4,756,335 |
| Residences, catering and conferences (note 7) | 1,958,842 | 2,297,627 | 729,312 | 4,985,781 |
| Other (note 8) | 644,926 | 687,306 | 368,127 | 1,700,359 |
| | 4,870,898 | 5,198,671 | 1,372,906 | 11,442,475 |

| | Staff costs (note 10) £ | Other operating expenses £ | Depreciation (note 11) £ | Total £ |
|---|-------------------------------|----------------------------------|--------------------------------|-------------------|
| 2014 | | | | |
| Education (note 6) | 2,261,330 | 1,827,405 | 266,923 | 4,355,658 |
| Residences, catering and conferences (note 7) | 1,723,244 | 2,044,420 | 774,672 | 4,542,336 |
| Other (note 8) | 504,578 | 687,208 | 352,027 | 1,543,813 |
| | 4,489,152 | 4,559,033 | 1,393,622 | 10,441,807 |

9 Analysis of expenditure by activity (continued)

| | 2015 £ | 2014 £ |
|--|---------------|---------------|
| Auditor's remuneration | | |
| Other operating expenses include: | | |
| Audit fees payable to the College's external auditor | 27,005 | 23,450 |
| Other fees payable to the College's external auditor | 5,172 | 7,480 |
| | 32,177 | 30,930 |

10 Staff costs

| | College Fellows & other academics £ | Non- academics £ | Total 2015 £ | Total 2014 £ |
|-----------------------|---|------------------------|--------------------|--------------------|
| Emoluments | 1,347,361 | 2,547,280 | 3,894,641 | 3,756,431 |
| Social security costs | 88,103 | 149,111 | 237,214 | 236,341 |
| Other pension costs | 117,303 | 621,740 | 739,043 | 496,380 |
| | 1,552,767 | 3,318,131 | 4,870,898 | 4,489,152 |

| | 2015 £ | 2014 £ |
|------------------------------|------------|------------|
| Average staff numbers | | |
| Academic (including library) | 88 | 89 |
| Non-academics | 114 | 115 |
| Total | 202 | 204 |

Average staff numbers (full time equivalents):

| | | |
|---------------------------------|------------|------------|
| Non-academics | 97 | 97 |
| Academics: | | |
| Fellows – Full Time Stipendiary | 18 | 19 |
| Fellows – Part Time Stipendiary | 30 | 27 |
| Fellows – Non Stipendiary | 14 | 15 |
| Other academics (non-Fellows) | 26 | 28 |
| Total | 185 | 186 |

The Governing Body comprises 62 fellows, of which 48 declared above are stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2014: none).

11 Tangible fixed assets

| Consolidated | College buildings and site £ | Assets under construction £ | Furniture, fittings and equipment £ | Total £ |
|---------------------------|---------------------------------|--------------------------------|--|--------------------------|
| Cost/valuation | | | | |
| At beginning of year | 72,616,018 | 197,598 | 1,970,094 | 74,783,710 |
| Additions at cost | — | 752,052 | 249,529 | 1,001,581 |
| Transfer | 478,751 | (478,751) | — | — |
| Revaluation | 7,002,321 | — | — | 7,002,321 |
| At end of year | <u>80,097,090</u> | <u>470,899</u> | <u>2,219,623</u> | <u>82,787,612</u> |
| Depreciation | | | | |
| At beginning of year | 1,212,020 | — | 886,410 | 2,098,430 |
| Charge for the year | 1,188,882 | — | 184,024 | 1,372,906 |
| Eliminated on revaluation | (2,400,902) | — | — | (2,400,902) |
| At end of year | <u>—</u> | <u>—</u> | <u>1,070,434</u> | <u>1,070,434</u> |
| Net book value | | | | |
| At end of year | <u>80,097,090</u> | <u>470,899</u> | <u>1,149,189</u> | <u>81,717,178</u> |
| At beginning of year | <u>71,403,998</u> | <u>197,598</u> | <u>1,083,684</u> | <u>72,685,280</u> |
| College | | | | |
| Cost/valuation | | | | |
| At beginning of year | 72,616,018 | 197,598 | 1,736,631 | 74,550,247 |
| Additions at cost | — | 752,052 | 241,477 | 993,529 |
| Transfer | 478,751 | (478,751) | — | — |
| Revaluation | 7,002,321 | — | — | 7,002,321 |
| At end of year | <u>80,097,090</u> | <u>470,899</u> | <u>1,978,108</u> | <u>82,546,097</u> |
| Depreciation | | | | |
| At beginning of year | 1,212,020 | — | 713,623 | 1,925,643 |
| Charge for the year | 1,188,882 | — | 171,055 | 1,359,937 |
| Eliminated on revaluation | (2,400,902) | — | — | (2,400,902) |
| At end of year | <u>—</u> | <u>—</u> | <u>884,678</u> | <u>884,678</u> |
| Net book value | | | | |
| At end of year | <u>80,097,090</u> | <u>470,899</u> | <u>1,093,430</u> | <u>81,661,419</u> |
| At beginning of year | <u>71,403,998</u> | <u>197,598</u> | <u>1,023,008</u> | <u>72,624,604</u> |

11 Tangible fixed assets (continued)

Land and buildings

A desktop revaluation of the College's operational site and premises was completed by Carter Jonas incorporating January's, Chartered Surveyors, on 30 June 2015. The previous full valuation was dated 31 July 2013. This revaluation, amounting to £80,097,090, has been incorporated in the financial statements. The 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.

The insured value of freehold buildings as at 30 June 2015 was £84,447,140 (2015: £85,791,895) including limited cover for irrecoverable VAT and the costs of related professional fees.

12a Investments

| Consolidated | Investment land £ | Homerton Business Centre £ | Quoted securities £ | Other investments £ | Total 2015 £ |
|--|-------------------------|-------------------------------------|---------------------------|---------------------------|-----------------------------|
| At beginning of year | 12,650,000 | 3,972,401 | 60,223,446 | 10,000 | 76,855,847 |
| Additions | — | 10,117,246 | 29,066,508 | — | 39,183,754 |
| Disposals | — | — | (29,799,994) | — | (29,799,994) |
| Appreciation | 1,265,000 | — | 2,282,068 | — | 3,547,068 |
| Change in cash balances and deposits held at fund managers | — | — | 1,538,417 | — | 1,538,417 |
| At end of year | <u>13,915,000</u> | <u>14,089,647</u> | <u>63,310,445</u> | <u>10,000</u> | <u>91,325,092</u> |

Represented by:

| | |
|------------------------------|--------------------------|
| Investment land | 13,915,000 |
| Homerton Business Centre | 14,089,647 |
| Quoted securities – equities | 54,961,261 |
| Fixed interest securities | 5,466,240 |
| Cash held for reinvestment | 2,882,944 |
| Other investments | 10,000 |
| | <u>91,325,092</u> |

Notes to the financial statements Year to 30 June 2015

12a Investments (continued)

| College | Investment land £ | Homerton Business Centre £ | Quoted securities £ | Other investments £ | Total 2015 £ |
|--|-------------------------|-------------------------------------|---------------------------|---------------------------|-----------------------------|
| At beginning of year | 12,650,000 | 3,972,401 | 60,223,446 | 50,002 | 76,895,849 |
| Additions | — | 10,117,246 | 29,066,508 | — | 39,183,754 |
| Disposals | — | — | (29,799,994) | — | (29,799,994) |
| Appreciation | 1,265,000 | — | 2,282,068 | — | 3,547,068 |
| Change in cash balances and deposits held at fund managers | — | — | 1,538,417 | — | 1,538,417 |
| At end of year | <u>13,915,000</u> | <u>14,089,647</u> | <u>63,310,445</u> | <u>50,002</u> | <u>91,365,094</u> |
| Represented by: | | | | | |
| Investment land | | | | | 13,915,000 |
| Homerton Business Centre | | | | | 14,089,647 |
| Quoted securities – equities | | | | | 54,961,261 |
| Fixed interest securities | | | | | 5,466,240 |
| Cash held for reinvestment | | | | | 2,882,944 |
| Other investments | | | | | 50,002 |
| | | | | | <u>91,365,094</u> |

Other investments comprise:

| College | Investments in subsidiary undertakings £ | Other investments £ | Total £ |
|------------------------------|--|---------------------------|----------------------|
| At beginning and end of year | <u>40,002</u> | <u>10,000</u> | <u>50,002</u> |

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 | Dormant |

12a Investments (continued)

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

The investment land was revalued by Carter Jonas Chartered Surveyors at £13,915,000 on 30 June 2015 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 £14,089,647 (2014: £3,972,401) reflects the construction costs and professional fees incurred during the year.

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:

| | |
|--|------------------|
| | 2015 |
| | £ |
| Turnover | — |
| Administrative expenses | (18,745) |
| | (18,745) |
| | 2015 |
| | £ |
| Current assets | 7,753,650 |
| Liabilities due within one year | (21,045) |
| Homerton College's share of net assets | 7,732,605 |

13 Stocks

| | Consolidated | | College | |
|------------------|---------------|-----------|---------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £ | £ |
| Development land | — | 7,500,000 | — | — |
| Goods for resale | 35,561 | 33,859 | 22,485 | 20,414 |
| | 35,561 | 7,533,859 | 22,485 | 20,414 |

13 Stocks (continued)

Development land consists of land transferred during 2013-14 to Colokate LLP via HBC 1 Limited from Homerton College in order to facilitate its development with a third party. As Hill Residential Limited joined Colokate LLP in September 2014, this is now shown within the investment in joint venture.

14 Debtors

| | Consolidated | | College | |
|--|------------------|-----------|------------------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Trade debtors | 282,466 | 166,127 | 227,937 | 148,835 |
| Amounts due from subsidiary undertakings | — | — | 6,367,378 | 5,642,445 |
| Prepayments and accrued income | 1,420,344 | 412,304 | 1,414,580 | 397,272 |
| | 1,702,800 | 578,431 | 8,009,895 | 6,188,552 |

Included within amounts due from subsidiary undertakings is £5,447,208 which is due in more than one year (2014: £5,165,821).

15 Cash

| | Consolidated | | College | |
|--------------|------------------|-----------|------------------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Cash at bank | 6,133,583 | 2,805,266 | 5,533,357 | 2,387,173 |
| Cash in hand | 1,560 | 1,510 | 1,060 | 1,010 |
| | 6,135,143 | 2,806,776 | 5,534,417 | 2,388,183 |

16 Creditors: amounts falling due within one year

| | Consolidated | | College | |
|--|------------------|-----------|------------------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Trade creditors | 2,014,703 | 590,663 | 1,994,277 | 580,247 |
| Amounts due to subsidiary undertakings | — | — | 87,109 | 91,275 |
| Other taxation and social security | 83,925 | 71,512 | 83,925 | 71,512 |
| Contribution to Colleges' Fund (Statute G, II) | 42,000 | 40,000 | 42,000 | 40,000 |
| Other creditors and accruals | 1,047,394 | 489,315 | 1,028,777 | 479,156 |
| Deferred rental income (note 17) | 31,681 | 31,681 | 31,681 | 31,681 |
| Other deferred income | 211,268 | 228,943 | 115,366 | 141,374 |
| | 3,430,971 | 1,452,114 | 3,383,135 | 1,435,245 |

17 Creditors: amounts falling due after one year

| Consolidated and College | 2015 £ | 2014 £ |
|---------------------------------|-------------------|-------------------|
| Debentures | 9,942,873 | 9,941,091 |
| Bank loan | 12,400,000 | — |
| Deferred rental income | 2,772,090 | 2,803,771 |
| | 25,114,963 | 12,744,862 |

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 £ |
|-------------------|-------------|----------------------------------|---------------------|
| Tranche 1a | 30 years | 4.40% | 3,211,111 |
| Tranche 1b | 40 years | 4.40% | 2,568,889 |
| Tranche 2 | 30 years | 4.45% | 4,220,000 |
| Fees deducted | | | (57,127) |
| | | | 9,942,873 |

On 1 July 2014 the College signed a £20m revolving credit facility with its bankers, Lloyds plc, to fund the Homerton Business Centre development of which £12,400,000 had been drawn down at 30 June 2015. The loan expires on 30 March 2017 and interest is payable at 1.25% over LIBOR.

| | 2015 £ | 2014 £ |
|---------------------|-------------------|-------------------|
| Bank loan repayable | | |
| With 2 – 5 years | 12,400,000 | — |

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 income and expenditure account in equal annual instalments over the lease term.

18 Provisions for liabilities and charges

| Consolidated and College | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| At beginning of year | 281,511 | 267,748 |
| Benefits paid | (51,855) | (50,869) |
| Charge to income and expenditure account | 44,792 | 14,645 |
| Changes in actuarial assumptions | 40,778 | 64,632 |
| At end of year | 315,226 | 281,511 |

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

19 Contingent liabilities

A contingent liability exists in relation to the pension valuation recovery plan, since the College is an employer of members within the Universities Superannuation Scheme (USS) scheme. The contingent liability relates to the amount generated by the past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

20 Restricted deferred capital grants

| Consolidated and College | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| At beginning of year | 2,511,377 | 2,590,659 |
| Release to income and expenditure account (note 4) | (79,282) | (79,282) |
| At end of year | 2,432,095 | 2,511,377 |

Deferred capital grants relate to HEFCE grants received for building refurbishments and construction.

21 Reserves

| Consolidated | General reserves £ | Operational property revaluation reserve £ | Fixed assets investments revaluation reserve £ | Total 2015 £ | Total 2014 £ |
|---|-----------------------|---|---|-----------------|-----------------|
| At beginning of year | 72,701,738 | 48,295,092 | 22,079,499 | 143,076,329 | 136,691,071 |
| Surplus retained for the year | 973,282 | — | — | 973,282 | 1,606,662 |
| Actuarial loss on pension scheme | (383,000) | — | — | (383,000) | (1,367,000) |
| Transfer in respect of depreciation on revalued operational properties | 1,642,157 | (1,642,157) | — | — | — |
| Transfer in respect of disposals of investments | 5,143,637 | — | (5,143,637) | — | — |
| Changes in assumptions underlying the present value of enhanced teachers' pension obligations | (40,778) | — | — | (40,778) | (64,632) |
| Unrealised gain on revaluation of fixed assets | — | 9,403,223 | — | 9,403,223 | — |
| Increase in market value of investments | — | — | 3,547,068 | 3,547,068 | 6,210,228 |
| Balance at end of year | 80,037,036 | 56,056,158 | 20,482,930 | 156,576,124 | 143,076,329 |

| College | General reserves £ | Operational property revaluation reserve £ | Fixed assets investments revaluation reserve £ | Total 2015 £ | Total 2014 £ |
|---|-----------------------|---|---|-----------------|-----------------|
| At beginning of year | 72,876,016 | 48,295,092 | 19,579,499 | 140,750,607 | 136,731,434 |
| Surplus retained for the year | 1,291,771 | — | — | 1,291,771 | 1,740,577 |
| Actuarial loss on pension scheme | (383,000) | — | — | (383,000) | (1,367,000) |
| Transfer in respect of depreciation on revalued operational properties | 1,642,157 | (1,642,157) | — | — | — |
| Transfer in respect of disposals of fixed asset investments | 2,643,637 | — | (2,643,637) | — | — |
| Changes in assumptions underlying the present value of enhanced teachers' pension obligations | (40,778) | — | — | (40,778) | (64,632) |
| Unrealised gain on revaluation of fixed assets | — | 9,403,223 | — | 9,403,223 | — |
| Increase in market value of investments | — | — | 3,547,068 | 3,547,068 | 3,710,228 |
| Balance at end of year | 78,029,803 | 56,056,158 | 20,482,930 | 154,568,891 | 140,750,607 |

The fixed assets investments revaluation reserve represents the accumulated unrealised gains/(losses) in connection with the College's investments.

The operational property revaluation reserve represents revaluations in relation to the College's operational properties less the release of depreciation charged on those revalued properties.

22 College pension schemes

| Consolidated and College | 2015 £ | 2014 £ |
|---|------------------|-------------|
| Deficit/(surplus) at beginning of year | (394,000) | 905,000 |
| Current service cost | (643,000) | (430,000) |
| Expected return on assets | 826,000 | 733,000 |
| Contributions | 408,000 | 342,000 |
| Other finance cost | (593,000) | (577,000) |
| Actuarial loss recognised in statement of total recognised gains and losses | (383,000) | (1,367,000) |
| Deficit at end of year | (779,000) | (394,000) |

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 FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 FRS17 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 2015, the percentage was USS: 16% (2014: 16%) and CCCPF: 17.5% (2014: 17.5%).

The total pension cost for the College and its subsidiaries for the year to 30 June 2015 was:

| | 2015 £ | 2014 £ |
|--------------------------------------|----------------|-----------|
| Contribution USS | 154,907 | 131,295 |
| Current service cost of CCCPF (LGPS) | 643,000 | 430,000 |
| Total pension cost | 797,907 | 561,295 |

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 |

22 College pension schemes (continued)

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.

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. Based on this 2014 valuation it is expected that employer contributions will increase from 1 April 2016.

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.

FRS 17 liability numbers have been produced for the using the following assumptions:

| | 2015 | 2014 |
|---------------------------|--|------|
| Discount rate | 3.3% | 4.5% |
| Pensionable salary growth | 3.5% first year and 4.0% thereafter | 4.4% |
| Price inflation (CPI) | 2.2% | 2.6% |

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 |

22 College pension schemes (continued)

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:

| | 2015 | 2014 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 24.2 | 23.7 |
| Females currently aged 65 (years) | 26.3 | 25.6 |
| Males currently aged 45 (years) | 26.2 | 25.5 |
| Females currently aged 45 (years) | 28.6 | 27.6 |

| | 2015 | 2014 |
|--------------------------|----------------|---------|
| Existing benefits | | |
| Scheme assets | £49.0bn | £41.6bn |
| FRS 17 liabilities | £67.6bn | £55.5bn |
| FRS 17 deficit | £18.6bn | £13.9bn |
| FRS 17 funding level | 72% | 75% |

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 FRS17 are as follows:

| | 2015 | 2014 |
|--|------|------|
| Discount rate | 3.7% | 4.1% |
| Rate of increase of salaries | 4.5% | 4.6% |
| Rate of increase of pension in payment | 2.6% | 2.8% |
| Expected return on assets | 3.7% | 5.9% |

22 College pension schemes (continued)

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

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

| | 2015 £'000 | 2014 £'000 |
|----------|---------------|---------------|
| Equities | 11,278 | 10,418 |
| Bonds | 2,105 | 2,222 |
| Property | 1,203 | 972 |
| Other | 451 | 278 |
| | 15,037 | 13,890 |

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 2015 | 30 June 2014 |
|--------------------|-----------------|-----------------|
| Current pensioners | | |
| Males | 22.5 | 22.5 |
| Females | 24.5 | 24.5 |
| Future pensioners | | |
| Male | 24.4 | 24.4 |
| Females | 26.9 | 26.9 |

| | 30 June 2015 £'000 | 30 June 2014 £'000 | 30 June 2013 £'000 | 31 July 2012 £'000 | 31 July 2011 £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Present value of funded obligations | (15,816) | (14,284) | (11,753) | (11,944) | (10,272) |
| Fair value of plan assets | 15,037 | 13,890 | 12,658 | 11,109 | 7,266 |
| | (779) | (394) | 905 | (835) | (3,006) |
| Present value of unfunded obligations | — | — | — | (1) | (1) |
| Net liability/(assets) recorded in the balance sheet | (779) | (394) | 905 | (836) | (3,007) |
| Experience gain/(loss) on assets | 177 | 534 | 1,114 | (336) | 108 |
| Experience loss/(gain) on liabilities | (560) | (1,901) | 658 | (1,060) | 416 |

22 College pension schemes (continued)

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

| | 2015 £'000 | 2014 £'000 |
|---|---------------|----------------|
| Amounts charged to income and expenditure account | | |
| Current service cost | 643 | 430 |
| Interest on obligation | 593 | 577 |
| Expected return on assets | (826) | (733) |
| | <u>410</u> | <u>274</u> |
| Analysis of amounts recognised in statement of total recognised gains and losses | | |
| | 2015 £'000 | 2014 £'000 |
| Actuarial gain on pension scheme assets | 177 | 534 |
| Actuarial loss on pension obligation | (560) | (1,901) |
| Total actuarial loss recognised | <u>(383)</u> | <u>(1,367)</u> |
| Changes in the present value of the defined benefit obligation: | | |
| | 2015 £'000 | 2014 £'000 |
| Opening defined benefit obligation | 14,284 | 11,753 |
| Current service cost | 643 | 430 |
| Interest cost | 593 | 577 |
| Contributions by members | 150 | 127 |
| Actuarial loss | 560 | 1,901 |
| Benefits paid | (414) | (504) |
| Closing defined benefit obligation | <u>15,816</u> | <u>14,284</u> |
| Changes in the fair value of plan assets: | | |
| | 2015 £'000 | 2014 £'000 |
| Opening fair value of plan assets | 13,890 | 12,658 |
| Expected return | 826 | 733 |
| Contributions by members and other bodies | 150 | 127 |
| Contributions by employer | 408 | 342 |
| Actuarial gain | 177 | 534 |
| Benefits paid | (414) | (504) |
| Closing fair value of plan assets | <u>15,037</u> | <u>13,890</u> |

22 College pension schemes (continued)

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

The College expects to contribute £414,000 to its defined benefit pension scheme in the year ending 30 June 2016.

The management bases required by FRS17 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.

23 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 £18,342 expenditure in the year in respect to legal fees (see note 12b). There was a balance due to the LLP from the College of £28,853 as at 30 June 2015.

24 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

| | 2015 £'000 | 2014 £'000 |
|--|----------------|----------------|
| Surplus on continuing operations | 973,282 | 1,606,662 |
| Depreciation of tangible fixed assets | 1,372,906 | 1,393,622 |
| Loss on disposal of tangible fixed assets | — | 5,394 |
| Foreign exchange translation difference | (17,806) | 15,487 |
| Deferred capital grants released to income | (79,282) | (79,282) |
| Investment income | (2,000,791) | (1,840,781) |
| Pension costs less contributions payable | 2,000 | (68,000) |
| Transfer of land from investments to stocks | — | 7,500,000 |
| Transfer of land from stock to investment in joint venture | (7,732,605) | — |
| Decrease/(increase) in stocks | 7,498,298 | (7,487,548) |
| (Increase)/decrease in debtors | (1,124,369) | 98,709 |
| Increase/(decrease) in creditors | 1,947,176 | (837,840) |
| Decrease in provisions | (7,063) | (50,869) |
| Net cash inflow from operating activities | 831,746 | 255,554 |

25 Cash flows

| Return on investments and servicing of finance | 2015 £'000 | 2014 £'000 |
|---|-----------------------|-----------------------|
| Investment income received | 1,989,009 | 1,822,745 |
| Bank interest received | 11,782 | 18,036 |
| Net cash inflow from returns on investments and servicing of finance | 2,000,791 | 1,840,781 |

| Capital expenditure and financial investment | 2015 £'000 | 2014 £'000 |
|---|-----------------------|-----------------------|
| Purchase of tangible fixed assets | (1,001,581) | (2,468,618) |
| Purchase of investments | (39,183,754) | (26,582,872) |
| Proceeds of disposal of investments | 29,799,994 | 14,362,168 |
| Net cash outflow from capital expenditure and financial investment | (10,385,341) | (14,689,322) |

| Financing | 2015 £'000 | 2014 £'000 |
|---------------------------------------|-----------------------|-----------------------|
| Issue of debentures | 1,782 | 9,941,091 |
| Receipt from loan borrowing | 12,400,000 | — |
| Net cash inflow from financing | 12,401,782 | 9,941,091 |

26 Analysis of changes in net funds (debt)

| Consolidated | At 1 July 2014 £ | Cash flows £ | Foreign exchange movement £ | At 30 June 2015 £ |
|---|---------------------------------|-----------------------------|--|----------------------------------|
| Cash at bank and in hand | 2,806,776 | 3,328,367 | — | 6,135,143 |
| Cash held with fund managers for reinvestment | 1,344,523 | 1,520,611 | 17,806 | 2,882,940 |
| | 4,151,299 | 4,848,978 | | 9,018,083 |
| Debt due after more than one year | (9,941,091) | (12,401,782) | — | (22,342,873) |
| Net (debt)/funds | (5,789,792) | (7,552,804) | 17,806 | (13,324,790) |

27 Capital commitments

| | Tangible Fixed Assets 2015 £ | Homerton Business Centre 2015 £ | Tangible Fixed Assets 2014 £ | Homerton Business Centre 2014 £ |
|---------------------------------------|---|--|---|--|
| Authorised and contracted for | 10,718,720 | 25,564,000 | 204,440 | — |
| Authorised but not yet contracted for | 173,764 | — | 314,020 | 32,409,599 |