

NOTES TO THE ACCOUNTS

1 Funding body grants		2014	2013
		£m	£m
Higher Education Funding Council for England (HEFCE)			
Recurrent grant		158.8	167.4
Specific grants		3.9	1.8
Deferred capital grant released in year (see note 22)			
Equipment		13.8	12.2
Buildings		2.1	2.3
HEFCE total		178.6	183.7
National College for Teaching and Leadership: recurrent grant		-	0.1
		178.6	183.8
2 Academic fees and support grants			
Full-time home / EU students		88.2	72.6
Full-time overseas (non-EU) students		70.2	62.9
Other course fees		22.4	20.8
Research Training Support Grants		26.7	26.4
		207.5	182.7
3 Income: research grants and contracts			
Research councils		119.4	105.7
UK based charities		112.8	104.5
Other bodies		139.0	121.6
		371.2	331.8
Total research grants and contracts income excludes grants of £18.1m (2013: £12.8m) for the purchase of equipment but includes £13.8m (2013: £11.1m) released from deferred capital grants to match depreciation of which £10.2m (2013: £7.6m) related to equipment. See note 22.			
4 Examination and assessment services			
Examination fees		306.8	290.3
Other examination and assessment services		34.4	26.5
		341.2	316.8
5 Other income			
Other services rendered		37.4	36.5
Health and hospital authorities		18.4	17.4
Residences, catering, and conferences		9.1	8.4
Income from intellectual property		10.1	9.4
Released from deferred capital grants (see note 22)		8.4	11.5
Unrestricted donations		12.8	13.9
Rental income		7.5	8.2
Donations of, and for the purchase of, heritage assets		0.5	15.6
Gain on disposal of tangible fixed assets		4.6	5.5
Sundry income		14.8	13.6
		123.6	140.0
6 Endowment and investment income			
	Credited to	Excess	Underlying
	funds as	over	income
	income	income	2014
	£m	£m	£m
Income from expendable endowment asset investments	13.7	(10.9)	2.8
Income from permanent endowment asset investments	31.8	(24.6)	7.2
Income from fixed asset investments	41.7	(30.1)	11.6
Other investment income	3.0	-	3.0
	90.2	(65.6)	24.6
			20.0

The University operates a unitized fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances, and by other group undertakings. The CUEF is managed on a total return basis and invests in asset classes some of which generate little or no income. Distributions are made to unit-holding funds according to a formula which has regard to the total return reasonably to be expected in the long term, in proportion to the number of units held. Investing funds receive distributions as income. In the year ended 31 July 2014, distributions by the CUEF exceeded income received in the year by the CUEF from its underlying investments by £65.6m (2013: £60.8m), the balance of the distributions being funded by drawing on long-term capital growth.

See note 25 for further information on the investments held by the CUEF.

Notes to the accounts (continued)

7 Staff costs	2014	2013
	£m	£m
Wages and salaries	506.2	469.4
Social security costs	45.8	42.4
Pension costs (see note 30)	98.2	93.1
	650.2	604.9
Remuneration of the Vice-Chancellor	2014	2013
	£000	£000
Salary	288	282
Benefits in kind	10	7
Total excluding employer pension contributions	298	289
Employer pension contributions	46	45
	344	334

Remuneration of other higher paid staff

Remuneration for this purpose excludes employer's pension contributions except to the extent that these result from the sacrifice of an element of pay. The numbers in each band have been analyzed by segment (see note 10).

	Education and research		Assessment and Press	2014 Total	2013 Total
	Clinical	Non-Clinical			
£100,001 - £110,000	21	56	16	93	77
£110,001 - £120,000	8	20	10	38	41
£120,001 - £130,000	7	20	7	34	32
£130,001 - £140,000	6	19	7	32	32
£140,001 - £150,000	17	7	2	26	25
£150,001 - £160,000	10	6	1	17	19
£160,001 - £170,000	12	4	3	19	11
£170,001 - £180,000	7	3	2	12	13
£180,001 - £190,000	6	3	-	9	8
£190,001 - £200,000	5	3	-	8	8
£200,001 - £210,000	4	3	1	8	4
£210,001 - £220,000	-	-	-	-	3
£220,001 - £230,000	1	-	1	2	3
£230,001 - £240,000	-	1	1	2	1
£240,001 - £250,000	-	1	1	2	1
£250,001 - £260,000	-	1	1	2	4
£260,001 - £270,000	-	-	-	-	1
£270,001 - £280,000	-	-	-	-	-
£280,001 - £290,000	-	-	-	-	2
£290,001 - £300,000	-	1	-	1	1
£300,001 - £310,000	-	1	-	1	-
£310,001 - £320,000	-	2	-	2	-
£320,001 - £330,000	-	-	1	1	1
£400,001 - £410,000	-	1	1	2	-
£410,001 - £420,000	-	-	-	-	1

The above statistics include additional payments to employees of the University on behalf of NHS bodies.

Compensation for loss of office

Aggregate payments for compensation for loss of office paid to senior members of staff earning in excess of £100,000 per annum (seven in 2013-14, five in 2012-13):

	2014	2013
	£000	£000
Payments in respect of loss of office	796	777

Notes to the accounts (continued)

8 Analysis of expenditure by activity	Staff costs	Other operating expenses	Depreciation	Interest payable	2014 Total	2013
	£m	£m	£m	£m	£m	£m
Academic departments	214.1	59.6	7.8	-	281.5	263.6
Academic services	26.2	16.1	0.8	-	43.1	41.4
Payments to Colleges (see note 33)	-	44.9	-	-	44.9	43.3
Research grants and contracts	164.5	139.4	13.8	-	317.7	282.6
Other activities:						
Examination and assessment services	91.5	187.2	16.7	-	295.4	271.5
Publishing and printing services	82.7	168.0	6.8	1.4	258.9	258.9
Other services rendered	8.6	24.6	-	-	33.2	31.4
Intellectual property	2.6	4.6	-	-	7.2	5.7
Residences, catering, and conferences	2.3	8.8	-	-	11.1	10.1
Other activities total	187.7	393.2	23.5	1.4	605.8	577.6
Administration and central services:						
Administration	40.3	2.9	2.9	-	46.1	41.1
General educational	2.4	49.5	0.1	-	52.0	52.5
Staff and student facilities	3.3	1.1	-	-	4.4	5.0
Development office	3.8	4.1	-	-	7.9	7.3
Other	2.9	2.6	-	-	5.5	11.0
Administration and central services total	52.7	60.2	3.0	-	115.9	116.9
Premises	12.9	43.0	39.5	-	95.4	88.9
Interest payable on bond liabilities	-	-	-	13.1	13.1	10.5
Pension cost adjustments for CPS (see note 30)	(7.9)	-	-	1.2	(6.7)	(9.8)
Total per income and expenditure account	650.2	756.4	88.4	15.7	1,510.7	1,415.0

The depreciation charge has been funded by:

Deferred capital grants (see note 22)	38.1
Revaluation reserve (see note 24)	6.0
General income	44.3
	<u>88.4</u>

Other operating expenses include:

2014 2013
£000 £000

Auditors' remuneration

Audit fees payable to the University's external auditors	688	729
Other fees payable to the University's external auditors	152	312
Audit fees payable to other firms	80	79

Payments to trustees

Reimbursement of expenses to three (2013: three) external members of Council	5	4
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These amounts include related irrecoverable VAT.

9 Surplus on reserves

2014 2013
£m £m

The surplus for the year retained in general reserves is made up as follows:

University's surplus for the year	41.7	76.3
Surplus generated by subsidiary undertakings and transferred to the University	8.4	8.9
	<u>50.1</u>	<u>85.2</u>
Surplus dealt with in the accounts of the University	6.7	9.8
Group level adjustments: Contributory Pension Scheme	(13.1)	(21.9)
Deficit retained in subsidiary undertakings	(13.1)	(21.9)
	<u>43.7</u>	<u>73.1</u>

*Notes to the accounts (continued)***10 Segmental reporting**

The group consisting of the University and its subsidiary undertakings has three principal classes of activity:

Education and research**Assessment**

Examination and assessment services, carried out by the University of Cambridge Local Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment

Press

Publishing and printing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings

Income, result for the year and net assets at the year end are attributable to the three segments as follows:

	Segment total income £m	Inter- segment income £m	Income from third parties £m	(Deficit) / surplus £m	Net assets £m
Year ended 31 July 2014					
Education and research	908.9	20.6	888.3	(55.3)	3,084.8
Assessment	351.0	-	351.0	38.2	400.2
Press	265.1	-	265.1	4.1	30.6
	1,525.0	20.6	1,504.4	(13.0)	3,515.6
Unallocated re Contributory Pension Scheme	-	-	-	6.7	(338.5)
Group	1,525.0	20.6	1,504.4	(6.3)	3,177.1
Year ended 31 July 2013					
Education and research	856.3	17.5	838.8	(38.2)	2,963.8
Assessment	324.2	-	324.2	36.7	356.6
Press	275.2	-	275.2	14.8	44.1
	1,455.7	17.5	1,438.2	13.3	3,364.5
Unallocated re Contributory Pension Scheme	-	-	-	9.8	(291.1)
Group	1,455.7	17.5	1,438.2	23.1	3,073.4

Notes to the accounts (continued)

11 Intangible fixed assets: goodwill and others	Group 2014 £m	Group 2013 £m	University 2014 £m	University 2013 £m
Opening balance	5.5	4.8	3.2	2.2
Additions in the year	0.6	3.3	(0.2)	1.9
Amortization charge for the year	(1.6)	(2.6)	(1.0)	(0.9)
Currency adjustments	(0.2)	-	-	-
Closing balance	4.3	5.5	2.0	3.2

12 Tangible fixed assets	Land and buildings £m	Assets in construction £m	Equipment £m	Heritage assets £m	2014 Total £m	2013 Total £m
Group						
Cost or valuation						
At 1 August	1,389.8	42.0	313.3	58.3	1,803.4	1,708.0
Additions at cost	18.0	95.1	53.5	1.0	167.6	125.2
Transfers	12.8	(18.5)	5.7	-	-	-
Transfers from fixed asset investments	1.9	-	-	-	1.9	15.4
Transfers to fixed asset investments	-	-	-	-	-	(14.8)
Disposals	(0.7)	(0.4)	(9.8)	-	(10.9)	(31.5)
Currency adjustments	(1.2)	-	(1.3)	-	(2.5)	1.1
At 31 July	1,420.6	118.2	361.4	59.3	1,959.5	1,803.4
Accumulated depreciation						
At 1 August	375.1	-	234.3	-	609.4	552.1
Charge for the year	47.6	-	40.8	-	88.4	77.1
Elimination on transfers to fixed asset investments	-	-	-	-	-	(0.1)
Elimination on disposals	(0.5)	-	(8.7)	-	(9.2)	(20.0)
Currency adjustments	(0.4)	-	(1.1)	-	(1.5)	0.3
At 31 July	421.8	-	265.3	-	687.1	609.4
Net book value						
At 31 July	998.8	118.2	96.1	59.3	1,272.4	1,194.0
At 1 August	1,014.7	42.0	79.0	58.3	1,194.0	1,155.9
University						
Cost or valuation						
At 1 August	1,393.7	42.0	301.2	58.3	1,795.2	1,691.9
Additions at cost	18.0	95.6	52.7	1.0	167.3	124.4
Transfers	13.4	(19.1)	5.7	-	-	-
Transfers from fixed asset investments	1.9	-	-	-	1.9	15.4
Transfers to fixed asset investments	-	-	-	-	-	(14.8)
Disposals	(0.6)	(0.4)	(8.3)	-	(9.3)	(22.9)
Currency adjustments	(1.0)	-	(0.3)	-	(1.3)	1.2
At 31 July	1,425.4	118.1	351.0	59.3	1,953.8	1,795.2
Accumulated depreciation						
At 1 August	377.5	-	224.6	-	602.1	538.3
Charge for the year	48.0	-	39.7	-	87.7	75.4
Elimination on transfers to fixed asset investments	-	-	-	-	-	(0.1)
Elimination on disposals	(0.4)	-	(7.4)	-	(7.8)	(11.8)
Currency adjustments	(0.3)	-	(0.2)	-	(0.5)	0.3
At 31 July	424.8	-	256.7	-	681.5	602.1
Net book value						
At 31 July	1,000.6	118.1	94.3	59.3	1,272.3	1,193.1
At 1 August	1,016.2	42.0	76.6	58.3	1,193.1	1,153.6

Land and buildings includes land totalling £87.7m (2013: £84.1m) which is not depreciated.

The cost to the group of freehold buildings and assets in construction consists of the cost incurred by the University less the surplus recorded in the accounts of Lynxvale Limited, a subsidiary undertaking, and eliminated on consolidation.

*Notes to the accounts (continued)***12 Tangible fixed assets (continued)****Heritage assets**

The University holds and conserves certain collections, artefacts, and other assets of historical, artistic, or scientific importance. Most of these are housed in the University's nationally accredited museums and collections and in its libraries, providing a valuable research and educational resource locally, nationally, and internationally as well as an unrivalled opportunity to present the University's work to a wide audience. Other collections are held in academic departments or are on display as public art. Major collections include those held by the University Library, a legal deposit, the Botanic Garden, and the Fitzwilliam Museum.

In respect of its major collections, the University's practice, in accordance with the national accreditation standards, is: to preserve, conserve, and manage the objects in its care; to augment the collections where appropriate and within the resources available; to enable and encourage access to and use of the collections for teaching and research; and to enable wide access to and engagement with the collections by members of the public.

As stated in the statement of principal accounting policies, heritage assets acquired since 1 August 1999 have been capitalized. The majority of assets held in the University's collections were acquired before 1 August 1999: because reliable estimates of cost or valuation are not available for these on a cost-benefit basis they have not been capitalized. As a result the total included in the balance sheet is partial.

Additions for the current and previous four years were as follows:

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Acquisitions purchased with specific donations	0.4	4.0	0.9	0.1	1.7
Value of acquisitions by donation	0.1	11.6	4.7	1.2	1.9
Total acquired by, or funded by, donations	0.5	15.6	5.6	1.3	3.6
Acquisitions purchased with University funds	0.5	0.7	0.3	0.1	0.1
Total acquisitions capitalized	1.0	16.3	5.9	1.4	3.7

13 Fixed asset investments

	Group	Group	University	University
	2014	2013	2014	2013
	£m	£m	£m	£m
Opening balance	1,099.7	705.1	892.2	529.9
Net transfers to tangible fixed assets (see note 12)	(1.9)	(0.7)	(1.9)	(0.7)
Other net additions in the year	34.5	228.9	72.9	236.4
Valuation gains on investments	68.0	166.4	53.6	126.6
Closing balance	1,200.3	1,099.7	1,016.8	892.2
Represented by:				
CUEF units (see note 25)	1,002.1	918.1	803.7	693.4
Property	100.2	66.1	99.7	66.1
Securities	80.2	100.1	80.2	100.1
Money market investments	0.1	0.1	0.1	0.1
Investments in subsidiary undertakings	-	-	24.7	25.4
Spin-out and similar companies (see note 31)	16.7	14.3	8.4	7.1
Investments in joint ventures	1.0	1.0	-	-
Total	1,200.3	1,099.7	1,016.8	892.2

14 Endowment assets

CUEF units (see note 25)	1,179.5	1,144.4	979.4	953.4
Property	0.6	0.8	0.6	0.8
Securities	38.0	39.6	26.1	25.8
Spin-out and similar companies (see note 31)	4.6	4.3	4.6	4.3
Money market investments	78.6	59.6	71.8	54.7
Cash in hand and at investment managers	1.2	1.7	-	-
Bank balances	0.5	1.0	-	-
Total	1,303.0	1,251.4	1,082.5	1,039.0

Notes to the accounts (continued)

15 Stocks and work in progress	Group 2014 £m	Group 2013 £m	University 2014 £m	University 2013 £m
Goods for resale	27.9	31.3	22.2	23.6
Pre-publication costs and other work in progress	25.9	28.9	24.5	26.9
	53.8	60.2	46.7	50.5
16 Debtors				
Research grants recoverable	76.1	70.3	76.1	70.3
Amounts due from subsidiary undertakings	-	-	42.5	64.6
Debtors re examination and assessment services	78.2	68.7	77.8	63.4
Debtors re publishing and printing	78.6	86.1	60.9	63.8
Other debtors	63.0	47.7	53.0	39.8
	295.9	272.8	310.3	301.9
17 Current asset investments				
CUEF units (see note 25)	102.3	74.3	500.8	490.0
Money market investments	234.3	293.3	239.8	296.2
Cash in hand and at investment managers	76.0	84.7	76.0	84.7
Other	0.1	0.2	0.1	0.2
	412.7	452.5	816.7	871.1
Representing:				
University	307.6	374.2	269.9	304.9
Held on behalf of subsidiary undertakings, Colleges and other associated bodies (see note 18)	105.1	78.3	546.8	566.2
	412.7	452.5	816.7	871.1
Current asset investments include investments held on behalf of subsidiary undertakings, Colleges, and other associated bodies. The book value of these investments is included in creditors due within one year.				
18 Creditors: amounts falling due within one year				
Bank overdraft	3.0	3.6	3.0	3.6
Current portion of long-term bank loan	1.0	0.7	0.7	0.7
Research grants received in advance	175.0	164.9	173.8	164.9
Amounts due to subsidiary undertakings	-	-	19.2	14.3
Creditors re examination and assessment services	77.3	92.5	56.2	51.9
Creditors re publishing services	76.1	82.3	68.7	69.9
Other creditors	193.2	166.1	172.2	130.3
Investments held on behalf of subsidiary undertakings, Colleges, and other associated bodies (see note 17)	105.1	78.3	546.8	566.2
	630.7	588.4	1,040.6	1,001.8
19 Creditors: amounts falling due after more than one year				
Bond liabilities	342.3	342.3	342.3	342.3
Amounts due to subsidiary undertakings	-	-	-	0.1
Bank loans	2.3	3.2	2.3	3.2
Loan from minority interest	1.2	1.8	-	-
Deferred income	0.5	0.5	-	-
	346.3	347.8	344.6	345.6

On 17 October 2012 the University issued £350m of 3.75% unsecured Bonds due October 2052 (the "Bonds"). The Bonds were issued at 98.168% of their principal amount. The proceeds of issue, less directly attributable transaction costs, amounted to £342m. Interest at 3.75% pa is payable on 17 April and 17 October each year commencing on 17 April 2013. The Bonds are listed on the London Stock Exchange. Unless previously redeemed, the Bonds will be redeemed at their principal amount of £350m on 17 October 2052. The Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the Bonds are measured at amortized cost using the effective interest rate method.

*Notes to the accounts (continued)***20 Pension liabilities**

The pension liabilities have been measured in accordance with the requirements of FRS 17.

	Group 2014 £m	Group 2013 £m	University 2014 £m	University 2013 £m
Opening balance	363.6	369.3	72.5	103.6
Movement in year:				
Current service cost including life assurance	22.5	24.2	2.6	2.1
Contributions	(35.0)	(42.7)	(7.2)	(6.8)
Other finance cost	1.4	6.9	0.2	3.0
Currency adjustments	(0.3)	0.2	(0.3)	0.2
Actuarial loss recognized in statement of total recognized gains and losses	65.2	5.7	11.1	(29.6)
Closing balance	417.4	363.6	78.9	72.5
These liabilities relate to the following defined benefit schemes disclosed in note 30:				
Cambridge University Assistants' Contributory Pension Scheme (CPS)	338.5	291.1	-	-
Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)	76.9	69.6	76.9	69.6
Cambridge University Press US defined benefit plan (DBP)	2.0	2.9	2.0	2.9
	417.4	363.6	78.9	72.5

21 Other retirement benefits liability**Group and University**

The liability has been measured in accordance with the requirements of FRS 17 and relates to unfunded post-retirement medical and insurance schemes.

	2014 £m	2013 £m
Opening balance	24.2	20.5
Movement attributable to the year:		
Current service cost less benefits paid	(0.1)	0.3
Contributions	(0.3)	(0.4)
Other finance cost	1.0	1.0
Currency adjustments	(0.5)	0.2
Actuarial loss recognized in statement of total recognized gains and losses	(3.3)	2.6
Closing balance	21.0	24.2

22 Deferred capital grants**Group and University**

	Funding Council £m	Research Grants £m	Other Grants £m	2014 Total £m	2013 £m
Balance 1 August					
Buildings	253.1	62.1	173.5	488.7	482.0
Equipment	3.6	18.4	0.5	22.5	20.0
	256.7	80.5	174.0	511.2	502.0
Grants received					
Buildings	18.0	0.4	13.8	32.2	30.1
Equipment	0.1	18.1	-	18.2	12.6
	18.1	18.5	13.8	50.4	42.7
Released to income and expenditure					
Buildings - for depreciation	(13.8)	(3.6)	(8.4)	(25.8)	(23.4)
Equipment - for depreciation	(2.1)	(10.2)	-	(12.3)	(10.0)
Equipment - on disposals	(0.1)	(0.1)	-	(0.2)	(0.1)
	(16.0)	(13.9)	(8.4)	(38.3)	(33.5)
Balance 31 July					
Buildings	257.3	58.9	178.9	495.1	488.7
Equipment	1.5	26.2	0.5	28.2	22.5
	258.8	85.1	179.4	523.3	511.2

*Notes to the accounts (continued)***23 Endowments**

Group	Expendable £m	Permanent £m	2014 Total £m	2013 Total £m
Balance 1 August	429.3	822.1	1,251.4	1,056.5
New endowments received	24.1	6.6	30.7	40.8
Transfers	-	-	-	-
Income receivable from endowment asset investments (see note 6)	2.8	7.2	10.0	8.0
Expenditure	(34.8)	(25.5)	(60.3)	(58.2)
Valuation gains on investments	20.8	50.4	71.2	204.3
Balance 31 July	442.2	860.8	1,303.0	1,251.4
Capital	425.3	747.3	1,172.6	1,130.3
Unspent income	16.9	113.5	130.4	121.1
Balance 31 July	442.2	860.8	1,303.0	1,251.4
Representing:				
Trust and Special Funds:				
Professorships, Readerships, and Lectureships	50.9	422.3	473.2	453.2
Scholarships and bursaries	20.4	110.9	131.3	127.6
Other	118.8	317.9	436.7	416.4
Gates Cambridge Trust	208.3	-	208.3	201.6
Specific donations	38.8	-	38.8	38.3
Examination Board restricted funds	5.0	-	5.0	4.9
General endowments	-	9.7	9.7	9.4
Group total	442.2	860.8	1,303.0	1,251.4

Transfer to income and expenditure account

The transfer from endowments to the income and expenditure account represents the extent to which expenditure has been funded from endowment funds, after deducting the related investment income which is credited separately as part of total income. The transfer is calculated as follows:

Expenditure	34.8	25.5	60.3	58.2
Less investment income	(2.8)	(7.2)	(10.0)	(8.0)
Transfer to income and expenditure account	32.0	18.3	50.3	50.2

University

Balance 1 August	218.5	820.5	1,039.0	873.3
New endowments received	17.0	4.6	21.6	33.6
Income receivable from endowment asset investments	1.5	7.2	8.7	6.7
Expenditure	(20.4)	(25.2)	(45.6)	(43.6)
Valuation gains on investments	8.5	50.3	58.8	169.0
Balance 31 July	225.1	857.4	1,082.5	1,039.0
Capital	208.2	743.9	952.1	918.1
Unspent income	16.9	113.5	130.4	120.9
Balance 31 July	225.1	857.4	1,082.5	1,039.0

*Notes to the accounts (continued)***24 Reserves**

	General reserves £m	Operational property revaluation reserve £m	Fixed asset investment revaluation reserve £m	2014 Total £m	2013 Total £m
Group					
Balance 1 August	922.2	121.1	265.7	1,309.0	1,081.0
Surplus retained for the year	43.6	-	-	43.6	73.1
Actuarial loss	(61.8)	-	-	(61.8)	(8.3)
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	-	-	-
Transfer in respect of disposals of fixed asset investments	72.4	-	(72.4)	-	-
Loss arising on foreign currency translation	(8.8)	-	-	(8.8)	(3.2)
Valuation gains on investments	-	-	68.0	68.0	166.4
Balance 31 July	973.6	115.1	261.3	1,350.0	1,309.0
Reserves are reduced by the net liabilities in respect of retirement benefits					
Reserves before net liabilities in respect of retirement benefits	1,412.0	115.1	261.3	1,788.4	1,696.8
Effect of pension liability (see note 20)	(417.4)	-	-	(417.4)	(363.6)
Effect of liability for other retirement benefits (see note 21)	(21.0)	-	-	(21.0)	(24.2)
Reserves balance at 31 July	973.6	115.1	261.3	1,350.0	1,309.0
University					
Balance 1 August	1,066.8	121.1	205.8	1,393.7	1,156.7
Surplus retained for the year	50.1	-	-	50.1	85.2
Actuarial gain / (loss)	(7.8)	-	-	(7.8)	27.0
Transfer in respect of depreciation on revalued operational properties	6.0	(6.0)	-	-	-
Transfer in respect of disposals of fixed asset investments	47.0	-	(47.0)	-	-
Loss arising on foreign currency translation	(6.1)	-	-	(6.1)	(1.8)
Valuation gains on investments	-	-	53.6	53.6	126.6
Balance 31 July	1,156.0	115.1	212.4	1,483.5	1,393.7

*Notes to the accounts (continued)***25 Cambridge University Endowment Fund (CUEF)**

The University operates a unitized fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances, and by other group undertakings. The assets of the CUEF were held in the following categories:

	31 July 2014		31 July 2013	
	£m	%	£m	%
Public equity	1,449.6	63.5%	1,280.2	59.9%
Private investment	206.8	9.1%	175.9	8.2%
Absolute return	269.5	11.8%	259.6	12.2%
Credit	72.9	3.2%	66.2	3.1%
Real assets	195.7	8.6%	211.0	9.9%
Fixed interest / cash	89.4	3.9%	143.9	6.7%
Total value of fund	2,283.9	100.0%	2,136.8	100.0%

Public equity includes all equity stocks traded on a liquid market, together with related index funds and derivatives (such as futures).

Private investment includes investments where initial capital commitments are drawn down over a period, and the proceeds of the investments once disposed of are returned over the life of each fund. The underlying investments may include unlisted equities and / or corporate credits (such as bonds, loans, and other claims).

Absolute return includes investments in trading strategies which are to some degree independent of overall equity market movements. Funds where different equities are simultaneously held (long) and sold (short) are included in this category.

Credit includes corporate securities (such as bonds and loans) traded on a liquid public market.

Real assets includes investments which are expected to some degree to increase in nominal value to match inflation. This category includes commercial property, and securities which reflect the level of commodity values. Inflation-linked government securities are, however, included in the fixed interest category below.

Fixed interest / cash includes cash at bank and on deposit, government securities, the net value of foreign currency contracts, and any amounts receivable in general; less amounts payable, including those arising from holding derivative contracts.

The assets of the CUEF are included in the following balance sheet captions in proportion to the number of units held by the relevant funds:

	Group	Group	University	University
	2014	2013	2014	2013
	£m	£m	£m	£m
Fixed asset investments (see note 13)	1,002.1	918.1	803.7	693.4
Endowment assets (see note 14)	1,179.5	1,144.4	979.4	953.4
Current asset investments (see note 17) - balances held on behalf of:				
Subsidiary undertakings	-	-	398.5	415.7
Colleges	91.2	65.6	91.2	65.6
Other associated bodies	11.1	8.7	11.1	8.7
Total included in current asset investments	102.3	74.3	500.8	490.0
Total value of units	2,283.9	2,136.8	2,283.9	2,136.8

Notes to the accounts (continued)

26 Reconciliation of consolidated operating (deficit) / surplus to net cash inflow from operating activities		2014	2013	
		£m	£m	
(Deficit) / surplus on continuing operations		(6.3)	23.1	
Depreciation of tangible fixed assets		88.4	77.1	
Amortization of goodwill		1.6	2.6	
(Surplus) / deficit on disposal of tangible fixed assets		(4.6)	(5.5)	
Deferred capital grants released to income		(38.1)	(33.4)	
Donations of, and for the purchase of, heritage assets		(0.5)	(15.6)	
Investment income		(24.6)	(20.0)	
Interest payable		15.7	18.7	
Pension cost less contributions payable (see note 20)		(12.5)	(18.5)	
Other retirement benefits - cost less contributions payable (see note 21)		(0.4)	(0.1)	
Currency adjustments		(9.7)	(3.8)	
		9.0	24.6	
Decrease / (increase) in stock		6.4	(1.7)	
(Increase) in debtors		(23.1)	(12.5)	
Increase in creditors		11.5	58.3	
Net cash inflow from operating activities		3.8	68.7	
27 Cash flows				
Returns on investments and servicing of finance				
Endowment and investment income received		24.6	20.0	
Interest paid		(13.3)	(6.7)	
Net cash inflow from returns on investments and servicing of finance		11.3	13.3	
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(152.8)	(118.3)	
Acquisition of goodwill and other intangible fixed assets		(0.6)	(3.3)	
Donations and grants for the purchase of tangible fixed assets		40.4	46.7	
Proceeds of disposal of tangible fixed assets		6.1	16.9	
Net disposal / (purchase) of long-term investments (excluding investments held on behalf of others)		12.4	(299.5)	
New endowments received		30.7	40.8	
Net cash outflow from capital expenditure and financial investment		(63.8)	(316.7)	
Financing				
Proceeds of Bond issue		-	342.0	
Repayment of long-term loans		(1.2)	(1.0)	
Net cash inflow / (outflow) from financing		(1.2)	341.0	
28 Analysis of net funds				
	Group	Group	Increase /	Increase /
	2014	2013	(decrease)	(decrease)
	£m	£m	£m	£m
Cash at bank and in hand	50.1	61.3	(11.2)	10.2
Bank balances included in endowment assets (note 14)	0.5	1.0	(0.5)	(4.0)
Bank overdrafts (note 18)	(3.0)	(3.6)	0.6	(1.1)
Net cash and bank overdraft	47.6	58.7	(11.1)	5.1
Money market investments:				
Included in endowment assets (note 14)	78.6	59.6	19.0	8.9
Included in current asset investments (note 17)	234.3	293.3	(59.0)	94.4
Less held on behalf of others	(2.8)	(4.0)	1.2	(1.8)
Debt due after one year (note 19)	(345.8)	(347.3)	1.5	(345.0)
Debt due within one year (note 18)	(1.0)	(0.7)	(0.3)	3.7
Net funds	10.9	59.6	(48.7)	(234.7)
29 Capital commitments			2014	2013
			£m	£m
Commitments for capital expenditure:				
Commitments contracted at 31 July			167.2	117.6
Authorized but not contracted at 31 July			351.0	100.9
Commitments for capital calls on investments:			193.3	163.7

*Notes to the accounts (continued)***30 Pension schemes**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Cambridge University Assistants' Contributory Pension Scheme (CPS). Cambridge University Press operates two defined benefit schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). With the exception (from 1 January 2013) of the CPS, employees covered by the schemes are contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. The USS and the CPS are not closed, nor is the age profile of their active membership rising significantly. The PCPF and the PSSPS have been closed to new members.

The schemes are defined benefit schemes which are valued every three years using the projected unit method by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

Universities Superannuation Scheme (USS)

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 University is 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.

Triennial valuation of the scheme

The latest triennial actuarial valuation of the scheme was at 31 March 2011 and was the second valuation for this scheme to require the calculation of technical provisions in accordance with the Pensions Act 2004. The assumptions that have the most significant effect on the result of the valuation were as follows:

Investment returns per annum	6.10%
Salary scale increases per annum	4.40%
Pension increases per annum:	
First three years	3.40%
Thereafter	2.60%
Mortality - equivalent life expectancy for members reaching retirement age of 65:	
Males currently aged 65	89
Males currently aged 45	91
Females currently aged 65	91
Females currently aged 45	93

At the valuation date, the value of the assets of the scheme was £32,434m and the value of the scheme's technical provisions was £35,344m. The assets were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

At 31 March 2014 the actuary has estimated that the funding level had fallen from 92% to 85%. This estimate was based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The next formal triennial actuarial valuation, as at 31 March 2014, is in progress at the date of approval of these financial statements.

The employer contribution rate payable by the University in the year ended 31 July 2014 was 16% of pensionable pay. The scheme's trustees have determined a recovery plan to pay off the shortfall shown by the 31 March 2011 valuation by 31 March 2021; under the recovery plan the University's contribution rate would increase to 18% of pensionable pay from 1 April 2017 to 31 March 2021. The contribution rate will be reviewed as part of each triennial valuation and may be reviewed more frequently.

At 31 March 2014, USS had over 162,000 active members; the University and its subsidiary undertakings had 7,222 active members participating in the scheme.

Cambridge University Assistants' Contributory Pension Scheme (CPS)

The CPS was established under the authority of the Universities of Oxford and Cambridge Act 1923. It is a registered pension scheme for the purposes of the Finance Act 2004. The active members of the scheme are employees of the University and its subsidiary undertakings. The scheme's benefit structure changed significantly from 1 January 2013, at which point employees covered by the schemes ceased to be contracted out of the State Second Pension.

Triennial valuation of the scheme

A full triennial valuation of the scheme was carried out by the actuary for the trustees of the scheme for funding purposes as at 31 July 2012. The results showed the actuarial value of the scheme's assets as £377m. These were insufficient to cover the scheme's past service liabilities of £511m; the scheme had a deficit of £134m and was 74% funded.

From 1 August 2011 to 31 July 2013 normal employer contributions were set at 20.3% of pensionable pay. From 1 August 2013 employer contributions were set at 11.5% of pensionable pay for existing members at 31 December 2012 and 5.8% of pensionable pay (together with contributions at 5.0% to a separate defined contribution arrangement) for new entrants from 1 January 2013. In addition fixed employer contributions totalling £14.6m per annum are payable over the period from 1 August 2011 to 31 July 2025.

*Notes to the accounts (continued)***30 Pension schemes (continued)****CPS: Pension costs under FRS 17**

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the gross redemption yield for corporate AA rated bonds. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the joint contribution rate set by the trustees of the scheme. The principal assumptions used by the actuary were:

	2014	2013
Discount rate	4.20%	4.60%
Expected rate of return on scheme assets at beginning of year	7.15%	7.15%
Rate of increase in salaries	4.15%	4.15%
Rate of increase in pensions in deferment	3.40%	3.40%
Rate of increase in pensions in payment	3.40%	3.40%
Mortality - equivalent life expectancy for members reaching the age of 65:		
Males currently aged 65	87	87
Males currently aged 45	88	88
Females currently aged 65	90	90
Females currently aged 45	92	92

The following results were measured in accordance with the requirements of FRS 17, based on the assumptions summarized above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognized in the balance sheet	
	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m
Opening	(756.7)	(642.8)	465.6	377.4	(291.1)	(265.4)
Current service cost	(19.9)	(22.1)	-	-	(19.9)	(22.1)
Employer contributions	-	-	28.0	35.7	28.0	35.7
Expected return on scheme assets	-	-	33.6	25.3	33.6	25.3
Contributions by members	(0.6)	(0.6)	0.6	0.6	-	-
Transfers in from other scheme	(0.8)	-	0.8	-	-	-
Interest cost	(34.9)	(29.2)	-	-	(34.9)	(29.2)
Actuarial (losses) / gains	(55.5)	(75.3)	1.3	39.9	(54.2)	(35.4)
Benefits and expenses paid	19.5	13.3	(19.5)	(13.3)	-	-
Closing defined benefit obligation	(848.9)	(756.7)	510.4	465.6	(338.5)	(291.1)

The amounts recognized in the income and expenditure account were as follows:

	2014	2013
	£m	£m
In staff costs: current service cost	19.9	22.1
In interest and other finance costs:		
Interest on pension scheme liabilities	34.9	29.2
Less: expected return on pension scheme assets	(33.6)	(25.3)
	1.3	3.9

The total of actuarial losses recognized in the statement of total recognized gains and losses was £54.2m (2013: £35.4m).

Amounts for the current and previous four years were as follows:

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Defined benefit obligation	(848.9)	(756.7)	(642.8)	(587.7)	(516.5)
Plan assets	510.4	465.6	377.4	359.4	320.4
Deficit at the balance sheet date	(338.5)	(291.1)	(265.4)	(228.3)	(196.1)
Experience gains / (losses) for the year on plan liabilities	8.0	4.4	9.2	(1.6)	7.1
Experience gains / (losses) for the year on plan assets	1.3	39.9	(22.4)	9.3	15.8

The above results have been recognized in the consolidated balance sheet. The University is, however, unable to identify its own share of the underlying assets and liabilities in the scheme, as distinct from that attributable to subsidiary undertakings, on a reasonable and consistent basis. For the University itself, therefore, pension costs are accounted for as if the CPS were a defined contribution scheme, and the University's own balance sheet does not include a pension liability in respect of the CPS.

*Notes to the accounts (continued)***30 Pension schemes (continued)****Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)****Triennial valuation of the schemes**

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 January 2013.

Pension costs under FRS 17

For accounting purposes the schemes' assets are measured at market value and liabilities are valued using the attained age method and discounted using the gross redemption yield for corporate AA rated bonds. The valuations use market-based assumptions and asset valuations, and represent current valuations. They do not impact on the joint contribution rates set by the trustees of the schemes. The actuary has updated the 1 January 2013 valuation to 31 July 2013 and 31 July 2014 for the purposes of these financial statements. The principal assumptions used by the actuary for both schemes were:

	2014	2013
Discount rate	4.20%	4.60%
Expected rate of return on scheme assets at beginning of year	6.00%	5.00%
Rate of increase in salaries - schemes are now on frozen current salary basis	0.00%	0.00%
Rate of increase in pensions in deferment	3.70%	3.70%
Rate of increase in pensions in payment	3.70%	3.70%
Mortality - equivalent life expectancy for members at age 65:		
Males	87	87
Females	90	90

The following results were measured in accordance with the requirements of FRS 17, based on the assumptions summarized above. The results for the two schemes have been amalgamated.

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognized in the balance sheet	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Opening	(258.1)	(271.7)	188.4	177.1	(69.7)	(94.6)
Current service cost	(1.8)	(2.1)	-	-	(1.8)	(2.1)
Employer contributions	-	-	6.1	5.3	6.1	5.3
Expected return on scheme assets	-	-	11.2	8.8	11.2	8.8
Contributions by members	(0.2)	(0.2)	0.2	0.2	-	-
Interest cost	(11.7)	(12.1)	-	-	(11.7)	(12.1)
Actuarial (losses) / gains	(12.2)	18.6	1.2	6.5	(11.0)	25.1
Benefits and expenses paid	10.6	9.4	(10.6)	(9.4)	-	-
Closing defined benefit obligation	(273.4)	(258.1)	196.5	188.5	(76.9)	(69.6)

The amounts recognised in the income and expenditure account were as follows:

	2014	2013
	£m	£m
In staff costs: current service cost	1.8	2.1
In interest and other finance costs:		
Interest on pension scheme liabilities	11.7	12.1
Less: expected return on pension scheme assets	(11.2)	(8.8)
	0.5	3.3

The total of actuarial losses recognized in the statement of total recognized gains and losses was £11.0m (2013: gains £25.1m).

Amounts for the current and previous four years were as follows:

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Defined benefit obligation	(273.4)	(258.1)	(271.7)	(241.4)	(223.2)
Plan assets	196.5	188.5	177.1	166.9	152.4
Deficit at the balance sheet date	(76.9)	(69.6)	(94.6)	(74.5)	(70.8)
Experience gains / (losses) for the year on plan liabilities	-	17.8	(4.2)	(8.4)	(2.4)
Experience gains for the year on plan assets	1.2	6.5	3.5	10.9	8.5

*Notes to the accounts (continued)***30 Pension schemes (continued)**

The University also has a smaller number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS). Further disclosures are not given as the balances and movements are not material.

The total pension cost for the year (see note 7) was:

	Employer contributions	FRS 17 adjustment	Total	Employer contributions	FRS 17 adjustment	Total
	2014	2014	2014	2013	2013	2013
	£m	£m	£m	£m	£m	£m
USS	69.6	-	69.6	63.1	-	63.1
CPS	28.1	(8.1)	20.0	35.7	(13.6)	22.1
PCPF	2.6	(1.2)	1.4	2.8	(1.2)	1.6
PSSPS	3.5	(3.1)	0.4	2.6	(2.0)	0.6
NHSPS	2.1	-	2.1	1.9	-	1.9
Other pension schemes	4.8	(0.1)	4.7	3.8	(1.7)	3.8
	110.7	(12.5)	98.2	109.9	(18.5)	93.1

31 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were subsidiary undertakings throughout the year ended 31 July 2014. Except where stated, the accounting reference date is 31 July and the undertaking is a wholly-owned company registered in England and Wales.

Name	Notes	Principal activity
Cambridge Centre for Advanced Research in Energy Efficiency in Singapore Limited	a	Research and development
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Education and Consultancy Services Limited		Consultancy and commercial exploitation of intellectual property
Cambridge Investment Management Limited		Investment management
Cambridge Institute for Sustainability Leadership (Australia)	b	Sustainability leadership programmes
Cambridge Programme for Sustainability Leadership (South Africa)	c	Sustainability leadership programmes
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
The Dennis S Avery and Sally Tsui Wong-Avery Endowment Trust	d	Advancement of education and research in cosmology at the University
Fitzwilliam Museum (Enterprises) Limited		Publication of fine art books and sale of museum merchandise
JBS Executive Education Limited		Corporate education services
Lynxvale Limited		Construction and development services
University of Cambridge Dental Practice Limited		Dental services
UTS Cambridge		Primary school education
Associated Trusts	d	Provision of scholarships, grants and other support for the education of overseas students in the University
Cambridge Commonwealth, European and International Trust		
Gates Cambridge Trust		
Malaysian Commonwealth Studies Centre in Cambridge		
Cambridge Assessment subsidiary undertakings		
Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Assessment Singapore	e	Overseas office services
Cambridge Avaliacao Representacao e Promocao Ltda	f	Overseas office services
Cambridge ESOL Inc	g	Holding entity
Cambridge ESOL (Aus), subsequently renamed Cambridge English (Aus)	h	Examination services
Cambridge Boxhill Language Pty Limited	h	Examination services
Fundacion UCLES	i	Examination services
Oxford and Cambridge International Assessment Services Limited		Overseas office services
Oxford Cambridge and RSA Examinations	d	Examination and assessment services

*Notes to the accounts (continued)***31 Principal subsidiary and associated undertakings and other significant investments (continued)**

Cambridge University Press subsidiary undertakings		
Academic Journal Publishing Pty Limited	j	Intermediate holding company
Australian Academic Press Pty Group Limited	h	Publishing and distribution
Cambridge Knowledge (China) Limited	k	Representative office
Cambridge University Press (Greece) EPE	l	Representative office
Cambridge University Press (Holdings) Limited		Multi-purpose holding company
Cambridge University Press India (Private) Limited	m	Publishing and distribution
Cambridge University Press Japan KK	n	Representative office
Cambridge University Press Panama SA	o	Distribution
Cambridge University Press South Africa (Proprietary) Limited	p	Publishing and distribution
Cambridge Hitachi-Solutions Education Limited	q	E-learning
Editorial Edicambridge Cia Ltda	r	Representative office
Digital Services Cambridge Limited		Software development
ELT Trading Limited	s	Publishing
Foundation e-Learning (Private) Limited	m	Publishing and distribution
HOTmaths Pty Limited	t	Web-based maths digital learning management systems
United Publishers Services Limited	k	Distribution

- a Cambridge Centre for Advanced Research in Energy Efficiency in Singapore Limited is incorporated in Singapore and has an accounting reference date of 31 March for commercial reasons. The effect of this is not material to the consolidated accounts.
- b Cambridge Institute for Sustainability Leadership (Australia) is incorporated in Australia and has an accounting reference date of 30 June for commercial reasons. The effect of this is not material to the consolidated accounts.
- c Cambridge Programme for Sustainability Leadership (South Africa) is incorporated in South Africa.
- d These entities are exempt charities established by trust deeds (see note 34).
- e Cambridge Assessment Singapore is incorporated in Singapore.
- f Cambridge Avaliacao Representacao e Promocao Ltda is incorporated in Brazil.
- g Cambridge ESOL Inc is a United States non-stock non-profit corporation.
- h Cambridge English (Aus), Cambridge Boxhill Language Pty Limited, Academic Journal Publishing Pty Limited and Australian Academic Press Pty Group Limited are incorporated in Australia.
- i Fundacion UCLES is incorporated in Spain.
- j Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons, with the exceptions of the companies incorporated in India (31 March) and Mexico (31 December).
- k Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.
- l Cambridge University Press (Greece) EPE is incorporated in Greece.
- m Cambridge University Press India (Private) Limited and Foundation e-Learning (Private) Limited are incorporated in India.
- n Cambridge University Press Japan KK is incorporated in Japan.
- o Cambridge University Press Panama SA is incorporated in Panama.
- p Cambridge University Press South Africa (Proprietary) Limited is a 75% subsidiary incorporated in South Africa.
- q The University holds 60% of the issued share capital in Cambridge Hitachi-Solutions Education Limited.
- r Editorial Edicambridge Cia Ltda is incorporated in Ecuador.
- s ELT Trading Limited is incorporated in Mexico.
- t HOTmaths Pty Limited is a 55% subsidiary incorporated in Australia.

Other significant investments

The University has interests in a number of spin-out companies formed to exploit intellectual property rights or inventions. These are included at valuation in fixed asset investments (see note 13) and endowment assets (see note 14). In some cases the University's interest amounted to 20% or more of the share capital at the year end, and these companies are listed below. As the University does not exercise a significant influence over these investments and they are not intended to be held for the long term, they are not accounted for as associated undertakings. Other undertakings where the University's investment amounts to 20% or more are also listed below. These are not accounted for as associated undertakings as the effect on the financial statements would not be material.

Name	% interest	Principal Activity
Ampika Limited	40	Commercial exploitation of intellectual property
AQDOT Limited	20	Commercial exploitation of intellectual property
Cambridge Epigenetix Limited	24	Commercial exploitation of intellectual property
Cambridge in America	22	Fundraising
Jukedeck Limited	22	Commercial exploitation of intellectual property
Microbial Technics Limited	23	Commercial exploitation of intellectual property
Sphere Fluidics Limited	30	Commercial exploitation of intellectual property
The CRISP Consortium Limited	45	Commercial exploitation of intellectual property

In addition, at the year end the University held an interest of 33.5% in Cambridge Innovation Capital plc as part of its investment portfolio. Movements in the carrying value of this investment are not taken through the income and expenditure account.

*Notes to the accounts (continued)***32 Related party transactions**

The financial statements of the University include transactions with related parties. In accordance with FRS 8 (Related Party Transactions), these are disclosed where members of the Council disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and / or to the other party. Due to the nature of the University's operations and the composition of its Council, it is inevitable that the University will enter into transactions in the normal course of business with Colleges, NHS Trusts, Research Councils, other grant-awarding bodies and other private and public sector organizations in which members of the Council may have an interest. All transactions involving organizations in which members of Council may have such an interest, including those summarized below, are conducted in accordance with the University's financial regulations and usual procurement procedures. A register of the interests of the members of the Council is maintained. The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

Transactions with Colleges are summarized in note 33 below. Included within the financial statements are other transactions with the following related parties:

Academy of Medical Sciences

The Academy of Medical Sciences is an independent registered charity governed by a Council that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2014 includes £243,000 in respect of grants funded by the Academy.

Cambridge University Students Union

The President of Cambridge University Students Union was also a member of the University's Council for the 2013-14 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Union and, in the year ending 31 July 2014, provided a grant of £154,000 and made other payments totalling £17,000 for services provided. The Union made payments to the University totalling £17,000 for temporary staff, network, and other services provided.

Gatsby Charitable Foundation

Lord Sainsbury of Turville, who was elected as Chancellor of the University in October 2011, is settlor of the Gatsby Charitable Foundation (Gatsby) and, together with the Gatsby Trustees, is actively involved in setting the Foundation's strategic direction and approving its activities. In 2006 the University approved a proposal to establish a Sainsbury Laboratory for plant science in Cambridge, with Gatsby providing capital funding and research funds over a ten-year period. The Sainsbury Laboratory was completed in the year ended 31 July 2011, with Gatsby capital contributions totalling £74m. Research grants and contracts income for the year ended 31 July 2014 includes £6.2m in respect of continuing grants funded by Gatsby.

Higher Education Funding Council for England

The Higher Education Funding Council for England (HEFCE) allocates funding from the Government to universities and colleges in England. HEFCE is led by the HEFCE Board that includes a member of the University's Council. Funding received from HEFCE is included in funding body grants (see note 1) and in deferred capital grants (see note 22) in accordance with the University's accounting policies. At 31 July 2014 current liabilities included £34.6m in respect of funding received from HEFCE but not yet recognized as deferred capital grants or as income.

Kidney Research UK

Kidney Research UK is a registered charity governed by a Board of Trustees that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2014 includes £140,000 receivable in respect of grants funded by Kidney Research UK.

Royal Society

The Royal Society is a registered charity governed by a Council of distinguished scientists that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2014 includes £5.9m in respect of grants funded by the Royal Society.

University of Cambridge Graduate Union

The President of the Graduate Union was also a member of the University's Council for the 2013-14 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Graduate Union and, in the year ending 31 July 2014, provided a grant of £76,000 and made other payments totalling £10,000 for services provided. The Union made payments to the University totalling £12,000 for network and other services provided.

*Notes to the accounts (continued)***33 Colleges**

There are 31 Colleges, each of which is an independent corporation with its own property and income. Each College publishes its own financial statements, in a form specified by the University.

During the year payments were made by the University from HEFCE funding in respect of the College fees of publicly-funded undergraduates of £44.9m (2013: £43.3m). These payments are included as "Payments to Colleges" in note 8 above. The University also made payments in respect of the College fees of postgraduate students totalling £5.4m (2013: £5.3m). These payments are included in other operating expenses. Other operating expenses also include £5.0m (2013: £4.9m) in respect of payments to the Isaac Newton Trust, a charitable trust established by Trinity College, as contributions to a bursary scheme for students of the University. The University distributed third party donations to the Colleges totalling £9.3m (2013: £7.3m distributed by the Cambridge Foundation); these payments are not included in the consolidated income and expenditure account. During the year the University provided printing, network, and other services to the Colleges for which the Colleges paid a total of £2.9m (2013: £2.8m), and the Colleges provided accommodation, catering, and other services to the University for which the University paid a total of £8.2m (2013: £7.7m). During the year the Colleges made donations to the University totalling £2.1m (2013: £1.9m) of which £1.2m was credited to specific endowments.

Current asset investments include £91.2m (2013: £65.6m) held on behalf of ten (2013: seven) Colleges in the form of CUEF units (see note 17) and £9.0m (2013: £6.7m) held on behalf of the Isaac Newton Trust.

Colleges Fund	2014	2013
	£000	£000
Balance at 1 August	15	55
Contributions received from Colleges	3,979	3,757
Interest earned	3	3
Payments to Colleges	(3,980)	(3,800)
	<hr/>	<hr/>
Balance at 31 July included in creditors	17	15

The Colleges Fund is administered by the University on behalf of the Colleges, who make all contributions to and receive all allocations from the Fund. The transactions on the Colleges Fund are not included in the income and expenditure account.

34 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. Some of the connected institutions are included as subsidiary undertakings in these consolidated financial statements; others are not included in the consolidation since the University does not have control over their activities. The movements in the year on these charities' funds as reported in their own accounts were as follows:

	Opening Balance	Income	Expenditure	Market value increase	Closing balance
	£m	£m	£m	£m	£m
Consolidated (see note 31)					
Cambridge Commonwealth, European and International Trust	124.3	20.8	20.3	3.9	128.7
Gates Cambridge Trust	201.6	7.1	6.2	5.8	208.3
Malaysian Commonwealth Studies Centre in Cambridge	9.1	0.8	1.8	0.3	8.4
The Dennis S Avery and Sally Tsui Wong-Avery Endowment Trust	-	2.4	0.2	-	2.2
Oxford Cambridge and RSA Examinations	96.0	93.7	101.2	2.3	90.8
Strangeways Research Laboratory	1.1	0.1	-	-	1.2
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	432.1	124.9	129.7	12.3	439.6
Fund balances are included in the consolidated balance sheet as:					
Expendable endowments	211.9				218.1
Permanent endowments	1.0				3.5
Reserves	219.2				218.0
	<hr/>				<hr/>
	432.1				439.6
Not consolidated					
Isaac Newton Trust, established by Trinity College (see note 33) to promote education, learning and research in the University (accounts drawn up to 30 June 2014)	22.0	8.5	8.9	1.1	22.7
University of Cambridge Veterinary School Trust, for the support of veterinary education in the University	1.1	0.2	0.2	-	1.1
One smaller scholarship trust	0.3	-	-	-	0.3
Registered clubs and societies:					
Cambridge University Amateur Dramatic Club	0.1	0.2	0.2	-	0.1
Cambridge University Boat Club	1.8	0.5	0.4	-	1.9
Cambridge University Eco Racing	-	0.1	-	-	0.1
Cambridge University Law Society	-	0.2	0.2	-	-
Cambridge University Polo Club	0.3	0.1	0.1	-	0.3
Cambridge University Rag	-	0.1	0.1	-	-
Cambridge University Real Tennis Club	0.1	0.1	0.1	-	0.1
Cambridge University Rugby Union Football Club	0.8	0.6	0.5	-	0.9
Cambridge University Women's Boat Club	-	0.5	0.3	-	0.2
381 smaller clubs and societies	2.7	1.8	1.9	-	2.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	29.2	12.9	12.9	1.1	30.4

Notes to the accounts (continued)

35 HEFCE Access Funds	2014	2013
	£000	£000
Access to Learning Fund allocation	147	134
Disbursed to students	(129)	(133)
Contribution to administration costs	-	(1)
	<hr/>	<hr/>
Balance unspent at 31 July	18	-
	<hr/>	<hr/>

Access to Learning Fund grants are available for students: the University acts only as agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

36 Financial risk management

In the ordinary course of its activities, the University manages a variety of financial risks including credit risk, liquidity risk, and market risk. The principal risks and the University's approach to managing them are set out below. In view of the significance of the Cambridge University Endowment Fund (CUEF, see note 25), some aspects of financial risk management are considered for CUEF and non-CUEF separately.

Through the CUEF, the University invests in various categories of assets for the long term in order to achieve the CUEF's investment objective of a total return of RPI plus 5.25 per cent per annum. The CUEF is managed by the University's Investment Office, with the oversight of the University's Investment Board. In order to pursue its investment objective the CUEF seeks exposure to a variety of risks. This exposure could result in a reduction in the University's net assets.

a Credit risk

Credit risk is the risk that the University would incur a financial loss if a counterparty were to fail to discharge its obligations to the University.

Credit risk exposure

The University is exposed to credit risk in respect of its financial assets held with various counterparties. The following table details the maximum exposure to credit risk at 31 July:

	2014	2013
	£m	£m
Interest-bearing securities	15.0	17.7
Derivative financial instrument asset positions	25.0	101.3
Investment cash balances	162.1	129.4
Trade debtors: invoices receivable	156.1	174.7
Other debtors	145.4	98.6
Money market investments	313.0	353.0
Cash at bank	50.1	62.3
	<hr/>	<hr/>
Total financial assets exposed to credit risk	866.7	937.0
	<hr/>	<hr/>

Of the above financial assets only certain trade debtors, as detailed below, were past their due date or were impaired during the year.

Trade debtors: outstanding invoices	161.6	180.7
Less: Provision for impairment of receivables	(5.5)	(6.0)
	<hr/>	<hr/>
	156.1	174.7
	<hr/>	<hr/>

Trade debtors that are less than three months past their due date are not considered impaired unless they are included in the specific provision. At 31 July 2014, trade debtors with carrying value of £53.5m (2013: £46.8m) were past their due date but not impaired.

	2014	2013
	£m	£m
Balances against which a provision has been made	11.3	14.2
Balances not past their due date	96.8	119.7
Up to 3 months past due	36.7	31.2
3 to 6 months past due	9.5	9.3
Over 6 months past due	7.3	6.3
	<hr/>	<hr/>
	161.6	180.7
	<hr/>	<hr/>

Movement on provision for impairment of receivables

Opening balance	6.0
Provided in year	0.9
Balances written off	(1.4)
	<hr/>
Closing balance	5.5
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Risk management policies and procedures

The University aims to minimize its counterparty credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties, including setting appropriate exposure limits and maturities. The creditworthiness and financial strength of trading customers and research sponsors is assessed at inception and on an ongoing basis. Counterparties for investment assets and bank accounts are selected based on their financial ratings, regulatory environments and specific circumstances.

In respect of the CUEF, fund managers appointed by the CUEF have responsibility for choosing reliable counterparties. Where CUEF investments are managed directly by the University, investment transactions are carried out with well established, approved brokers. Investment transactions are done on a cash against receipt or cash against delivery basis.

Term deposits and cash balances outside the CUEF are subject to authorized limits and rating criteria which are subject to annual review.

*Notes to the accounts (continued)***36 Financial risk management (continued)****a Credit risk (continued)**

The ratings of term deposits and cash balances at 31 July were as follows:

Fitch credit quality rating (short / long term)	2014 £m	2013 £m
F1+ / AA Highest / Very High	94.8	63.9
F1 / A+ Highest / High	8.7	17.2
F1 / A Highest / High	236.7	289.5
F2 / A- Good / High	16.1	30.8
F3 / BBB Fair / Good	6.6	7.2
Lower ratings	0.2	6.7
	363.1	415.3

b Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties raising cash to meet its obligations when they fall due. Obligations are associated with financial liabilities and capital commitments.

Risk management policies and procedures

The majority of the assets held by the CUEF are investments in quoted securities and in funds that are readily realizable; while these assets are not available to fund obligations beyond those of the CUEF, there is no significant liquidity risk in relation to the CUEF itself.

Outside the CUEF, the Group monitors its exposure to liquidity risk by regularly monitoring its liabilities and commitments and holding appropriate levels of liquid assets. The Finance Committee approves the Liquidity Policy periodically. Liquidity and cash forecasts are reviewed by the Director of Finance on a quarterly basis. Cash and short-term deposits are maintained at levels sufficient to fund three months' operational and capital expenditure. Short-term deposits are placed with various terms between call and six months.

The following tables summarize the maturity of the Group's undiscounted contractual payments.

	Three months or less £m	More than one year £m	Between one and five years £m	More than five years £m	Total £m
As at 31 July 2014:					
Bond liabilities	6.6	6.6	52.5	842.2	907.9
Derivative financial instruments liability positions	24.0	-	-	-	24.0
Investments held on behalf of others	105.1	-	-	-	105.1
Bank overdraft	3.0	-	-	-	3.0
Bank and other loans	0.3	0.5	3.3	-	4.1
Other creditors excluding deferred income	146.9	7.9	-	-	154.8
Totals at 31 July 2014	285.9	15.0	55.8	842.2	1,198.9
As at 31 July 2013:					
Bond liabilities	6.6	6.6	52.5	855.3	921.0
Derivative financial instruments liability positions	99.0	-	-	-	99.0
Investments held on behalf of others	78.3	-	-	-	78.3
Bank overdraft	3.6	-	-	-	3.6
Bank and other loans	0.2	0.5	4.7	-	5.4
Other creditors excluding deferred income	125.0	23.4	-	-	148.4
Totals at 31 July 2013	312.7	30.5	57.2	855.3	1,255.7

Capital commitments, excluded from the above analysis, are disclosed at note 29.

c Market risk

Market risk is the risk of changes to the fair value of the Group's financial instruments. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

CUEF

The Investment Board advises the Council and is made up of investment professionals. The Investment Board monitors the performance of the Investment Office as well as providing advice to it. Investments in the CUEF are selected and combined with the aim of optimizing the future long-term total return bearing in mind the expected future volatility of the return. The risk taken in order to meet the total return objective is managed by utilizing diversification of investment strategies, of investment asset classes, and of external investment managers. The CUEF operates an evolving asset allocation, in the context of a long-term direction. The proposed changes over the following twelve months are revised quarterly in discussion with the Investment Board. Within each asset class, fund managers are appointed and carry out the day-to-day investment transactions.

*Notes to the accounts (continued)***36 Financial risk management (continued)****c (i) Currency risk**

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes to foreign currency exchange rates. The functional currency of the University and the presentational currency of the Group is Sterling. However, the Group has investment assets denominated in currencies other than Sterling and is impacted by fluctuations in foreign currency exchange rates.

At 31 July the CUEF had the following principal net exposures:

	2014	2013
Pounds Sterling	51.4%	50.3%
US Dollar	30.4%	29.9%
Euro	4.6%	6.4%
Japanese Yen	4.5%	4.5%
Other currency	9.1%	8.9%
	100.0%	100.0%

The currency exposure for overseas investments is based on the quotation or reporting currency of each holding, while the currency exposure for net monetary assets is based on the currency in which each asset or liability is denominated.

The following table summarizes the significant assets and liabilities exposed to currency risk as at 31 July 2014:

	US Dollar \$m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	1,736.0	248.8	1,028.3	197.2	361.2	1,586.7
CUEF forward currency contracts	(563.2)	(117.6)	(333.6)	(93.2)	(49.1)	(475.9)
Net exposure of CUEF	1,172.8	131.2	694.7	104.0	312.1	1,110.8
Exposures outside CUEF:						
Debtors	35.1	15.6	20.8	12.4	20.1	53.3
Money market investments	4.0	8.5	2.4	6.8	-	9.2
Cash balances	9.0	5.0	5.4	4.0	12.5	21.9
Creditors including bank and other loans	(34.0)	(4.0)	(20.2)	(3.2)	(13.0)	(36.4)
Forward currency contracts	(39.5)	(47.5)	(23.4)	(37.6)	-	(61.0)
Net exposure	1,147.4	108.8	679.7	86.4	331.7	1,097.8

Impact on total recognized gains for the year 2013-14:

10% US Dollar appreciation	68.0
10% Euro appreciation	8.6

The following table summarises the significant assets and liabilities exposed to currency risk as at 31 July 2013:

	US Dollar \$m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	1,434.1	256.7	945.9	224.8	321.3	1,492.0
CUEF forward currency contracts	(468.0)	(100.2)	(308.7)	(87.8)	(35.9)	(432.4)
Net exposure of CUEF	966.1	156.5	637.2	137.0	285.4	1,059.6
Exposures outside CUEF:						
Debtors	28.5	5.1	18.8	4.5	19.9	43.2
Money market investments	-	14.0	-	11.9	-	11.9
Cash balances	19.8	8.8	13.1	7.7	11.6	32.4
Creditors including bank and other loans	(22.1)	(3.3)	(14.6)	(2.9)	(13.4)	(30.9)
Forward currency contracts	(12.0)	(26.0)	(7.9)	(22.8)	-	(30.7)
Net exposure	980.3	155.1	646.6	135.4	303.5	1,085.5

Impact on total recognised gains for the year 2012-13:

10% US Dollar appreciation	64.7
10% Euro appreciation	13.5

Risk management policies and procedures

Currency positions in the assets and liabilities of the CUEF are reviewed regularly by the Chief Investment Officer and the currency exposure is managed within the asset allocation strategy.

*Notes to the accounts (continued)***36 Financial risk management (continued)****c (ii) Interest rate risk**

Interest rate risk arises from the risk that the value of an asset or liability will fluctuate due to changes in market interest rates (ie for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (ie for floating rate assets or liabilities).

Interest rate exposure and sensitivity

As stated in the accounting policies, the University's Bond liabilities are measured at amortized cost using the effective interest rate method, rather than at fair value. The University has not invested in variable rate deposits or interest-bearing securities.

Interest rate risk is focused on the potential impact of interest rate changes on the fair value of investments in fixed interest securities.

At 31 July 2014 the University held £15.0m (2013: £17.7m) of corporate and overseas government bonds with fixed interest.

Risk management policies and procedures

The University takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions.

c (iii) Other price risk

Price risk is the risk that the value of an asset or liability will fluctuate due to changes in market price (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

This is a key risk for the University because of the significance of the endowments and other funds invested in the CUEF and the dependence of future plans on maintaining the value of CUEF units in real terms.

Concentration of exposure to other price risk

As the majority of the CUEF's investments are carried at fair value, all changes in market conditions will directly affect the University's net assets. The fund's asset allocation at the reporting date is shown in note 25.

*Notes to the accounts (continued)***37 Fair value**

Debtors and current liabilities are stated in the Group balance sheet at book values which are not materially different from their fair values. The Bond liabilities are measured at amortized cost of £342.3m (2013: £342.3m, see note 19), whereas the fair value of the Bond liabilities at 31 July 2014 was £370m (2013: £330m) based on trading nearest to the balance sheet date. The book values of the Group's other financial assets and liabilities shown on the balance sheet are the same as the fair values.

The following table categorizes the fair values of the Group's investment assets and liabilities based on the inputs to the valuation. Categorization within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1: Valued using quoted prices in active markets for identical assets.
 Level 2: Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
 Level 3: Valued by reference to valuation techniques using inputs that are not based on observable market data.

Fair value measurements using the FRS 29 fair value hierarchies

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment assets at fair value as at 31 July 2014				
CUEF: Quoted investments	816.3	-	-	816.3
Unquoted investments	-	1,312.6	29.8	1,342.4
Derivative financial instruments asset positions	25.0	-	-	25.0
Cash in hand and at investment managers	67.3	56.9	-	124.2
Total CUEF assets	908.6	1,369.5	29.8	2,307.9
Other quoted investments	28.6	-	-	28.6
Other unquoted investments	-	69.5	42.4	111.9
Investment properties	-	100.8	-	100.8
Money market investments	313.0	-	-	313.0
Cash in hand and at investment managers	6.0	71.5	-	77.5
Total investment assets at fair value	1,256.2	1,611.3	72.2	2,939.7
Derivative financial instruments liability positions (CUEF)	(24.0)	-	-	(24.0)
Total investments at fair value at 31 July 2014	1,232.2	1,611.3	72.2	2,915.7

Investment assets at fair value as at 31 July 2013

The following analysis differs from that presented in the 2013 financial statements, having been restated following the receipt of additional information from the University's custodian.

CUEF: Quoted investments	781.4	-	-	781.4
Unquoted investments	-	1,151.0	30.3	1,181.3
Derivative financial instruments asset positions	103.7	-	-	103.7
Cash in hand and at investment managers	53.6	118.2	-	171.8
Total CUEF assets	938.7	1,269.2	30.3	2,238.2
Other quoted investments	28.0	-	-	28.0
Other unquoted investments	-	84.8	46.4	131.2
Investment properties	-	67.3	-	67.3
Money market investments	353.0	-	-	353.0
Cash in hand and at investment managers	12.5	74.9	-	87.4
Total investment assets at fair value	1,332.2	1,496.2	76.7	2,905.1
Derivative financial instruments liability positions (CUEF)	(101.3)	-	-	(101.3)
Total investments at fair value at 31 July 2013	1,230.9	1,496.2	76.7	2,803.8

A reconciliation of the opening and closing balances for Level 3 assets measured at fair value is detailed in the table below:

Fair value 1 August 2013	76.7
Purchases less sales proceeds	(6.7)
Total gains / (losses)	2.2
Transfers into Level 3	-
Transfers out of Level 3	-
Fair value 31 July 2014	72.2

Unquoted investments include investments in hedge funds, private equity funds, and property funds. The fair values of unquoted investments and derivative financial instruments held through pooled funds and partnerships are based on valuations of the underlying investments as supplied to the University's custodian by the administrators of those funds or partnerships. The Council considers that no reasonably foreseeable change to key assumptions in the Level 3 valuations would result in a significant change in fair value. Transfers into and out of Level 3 occur when the classification of the underlying assets and liabilities of these funds changes.