

Section A: Unaudited accounts in respect of academic activities

The scope and basis of preparation differ from the University's financial statements for 2015-16 in that these unaudited accounts exclude the income and expenditure, assets and liabilities of Cambridge Assessment (the Local Examinations Syndicate and its subsidiary undertakings) and of Cambridge University Press, and also exclude from consolidation the associated Trusts. In order to distinguish these accounts from the University's financial statements they are referred to as unaudited accounts in respect of academic activities.

The unaudited accounts have been prepared following the same accounting policies as the audited financial statements for the year ended 31 July 2016. Investment income includes the full value of distributions from the Cambridge University Endowment Fund.

The Group accounts included below reflect the consolidated position of the Academic University together with the 14 subsidiary undertakings listed against "Academic" in Section B.

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME IN RESPECT OF ACADEMIC ACTIVITIES FOR THE YEAR ENDED 31 JULY 2016

	<i>Note</i>	Group Year ended 31 July 2016 £m	Group Year ended 31 July 2015 £m	University Year ended 31 July 2016 £m	University Year ended 31 July 2015 £m
Income					
Tuition fees and education contracts	<i>i</i>	262.8	226.1	250.1	214.3
Funding body grants	<i>ii</i>	193.0	203.8	193.0	203.8
Research grants and contracts	<i>iii</i>	469.0	412.3	462.4	408.6
Exceptional income: RDEC	<i>iv</i>	1.3	53.7	1.3	53.7
Donations and endowments	<i>v</i>	62.0	49.7	67.3	59.9
Other income	<i>vi</i>	130.7	126.5	110.6	111.9
Investment income	<i>vii</i>	72.5	71.5	71.8	71.4
Total income		1,191.3	1,143.6	1,156.5	1,123.6
Expenditure					
Staff costs	<i>viii</i>	551.5	553.9	541.8	545.4
Other operating expenses	<i>ix</i>	448.2	410.6	426.1	391.1
Depreciation	<i>ix, xii</i>	67.9	60.8	67.6	60.6
Interest and other finance costs	<i>x</i>	28.3	28.7	28.3	28.7
Total expenditure		1,095.9	1,054.0	1,063.8	1,025.8
Surplus before other gains and losses		95.4	89.6	92.7	97.8
Gain on investments	<i>xiv</i>	116.6	201.2	114.2	195.9
Surplus before tax		212.0	290.8	206.9	293.7
Taxation	<i>xi</i>	(0.3)	(11.7)	(0.3)	(11.7)
Surplus for the year		211.7	279.1	206.6	282.0
Actuarial loss		(145.2)	(4.6)	(145.2)	(4.6)
Total comprehensive income for the year		66.5	274.5	61.4	277.4
Represented by:					
Endowment comprehensive income for the year	<i>xxii</i>	94.0	133.0	93.8	132.8
Restricted comprehensive income for the year	<i>xxiii</i>	65.8	86.2	65.7	86.3
Unrestricted comprehensive income for the year		(93.3)	55.3	(98.1)	58.3
		66.5	274.5	61.4	277.4

**UNAUDITED STATEMENT OF CHANGES IN RESERVES IN RESPECT OF ACADEMIC
ACTIVITIES FOR THE YEAR ENDED 31 JULY 2016**

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
<i>Group</i>				
Balance at 1 August 2014	1,069.9	56.7	1,946.5	3,073.1
Surplus for the year ended 31 July 2015	133.0	86.2	59.9	279.1
Other comprehensive income	–	–	(4.6)	(4.6)
Total comprehensive income for the year ended 31 July 2015	133.0	86.2	55.3	274.5
Release of restricted capital funds spent in the year ended 31 July 2015	–	(61.5)	61.5	–
Balance at 31 July 2015	1,202.9	81.4	2,063.3	3,347.6
Surplus for the year ended 31 July 2016	94.0	65.8	51.9	211.7
Other comprehensive income	–	–	(145.2)	(145.2)
Total comprehensive income for the year ended 31 July 2016	94.0	65.8	(93.3)	66.5
Release of restricted capital funds spent in the year ended 31 July 2016	–	(68.5)	68.5	–
Balance at 31 July 2016	1,296.9	78.7	2,038.5	3,414.1

<i>University</i>				
Balance at 1 August 2014	1,067.7	56.6	1,939.8	3,064.1
Surplus for the year ended 31 July 2015	132.8	86.3	62.9	282.0
Other comprehensive income	–	–	(4.6)	(4.6)
Total comprehensive income for the year ended 31 July 2015	132.8	86.3	58.3	277.4
Release of restricted capital funds spent in the year ended 31 July 2015	–	(61.5)	61.5	–
Balance at 31 July 2015	1,200.5	81.4	2,059.6	3,341.5
Surplus for the year ended 31 July 2016	93.8	65.7	47.1	206.6
Other comprehensive income	–	–	(145.2)	(145.2)
Total comprehensive income for the year ended 31 July 2016	93.8	65.7	(98.1)	61.4
Release of restricted capital funds spent in the year ended 31 July 2016	–	(68.5)	68.5	–
Balance at 31 July 2016	1,294.3	78.6	2,030.0	3,402.9

UNAUDITED BALANCE SHEETS IN RESPECT OF ACADEMIC ACTIVITIES AS AT 31 JULY 2016

	<i>Note</i>	Group 31 July 2016 £m	Group 31 July 2015 £m	University 31 July 2016 £m	University 31 July 2015 £m
Non-current assets					
Fixed assets	<i>xii</i>	2,001.3	1,872.1	2,003.0	1,873.7
Heritage assets	<i>xiii</i>	65.1	60.9	65.1	60.9
Investments	<i>xiv</i>	2,279.7	2,100.4	2,269.2	2,092.4
		4,346.1	4,033.4	4,337.3	4,027.0
Current assets					
Stocks and work in progress	<i>xv</i>	1.7	1.8	1.3	1.4
Trade and other receivables	<i>xvi</i>	197.0	203.7	196.0	206.4
Investments	<i>xvii</i>	855.1	800.1	857.6	802.5
Cash and cash equivalents	<i>xviii</i>	255.9	289.5	240.2	272.8
		1,309.7	1,295.1	1,295.1	1,283.1
Creditors: amounts falling due within one year	<i>xix</i>	(1,291.2)	(1,197.5)	(1,280.4)	(1,186.5)
Net current assets		18.5	97.6	14.7	96.6
Total assets less current liabilities		4,364.6	4,131.0	4,352.0	4,123.6
Creditors: amounts falling due after more than one year	<i>xx</i>	(342.5)	(342.4)	(342.5)	(342.4)
Pension liabilities	<i>xxi</i>	(608.0)	(441.0)	(606.6)	(439.7)
Total net assets		3,414.1	3,347.6	3,402.9	3,341.5
Restricted reserves					
Income and expenditure reserve - endowment	<i>xxii</i>	1,296.9	1,202.9	1,294.3	1,200.5
Income and expenditure reserve - restricted	<i>xxiii</i>	78.7	81.4	78.6	81.4
Unrestricted reserves					
Income and expenditure reserve - unrestricted		2,038.5	2,063.3	2,030.0	2,059.6
Total reserves		3,414.1	3,347.6	3,402.9	3,341.5

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES

	2016 Group £m	2015 Group £m	2016 University £m	2015 University £m
i Tuition fees and education contracts				
Full-time home / EU students	122.0	102.0	122.0	102.0
Full-time overseas (non-EU) students	87.8	75.6	87.8	75.6
Other course fees	25.2	23.4	12.5	11.6
Research Training Support Grants	27.8	25.1	27.8	25.1
	262.8	226.1	250.1	214.3
ii Funding body grants				
Higher Education Funding Council for England (HEFCE)				
Recurrent grant: teaching	20.7	24.5	20.7	24.5
Recurrent grant: research	120.0	124.4	120.0	124.4
Other revenue grants	7.5	6.0	7.5	6.0
Total revenue grants	148.2	154.9	148.2	154.9
Capital grants recognised in the year	44.8	48.9	44.8	48.9
	193.0	203.8	193.0	203.8
ii Income: Research grants and contracts				
Research council	161.1	125.8	161.1	125.8
UK based charities	127.3	128.7	127.2	128.7
European Commission	61.5	58.3	61.5	58.2
UK industry	23.6	19.0	22.2	17.5
UK Government	49.6	37.8	49.3	37.3
Other bodies	45.9	42.7	41.1	41.1
	469.0	412.3	462.4	408.6
Total research grants and contracts income includes grants of £7.8m (2015: £10.9m) towards the cost of buildings and £38.6m (2015: £13.4m) for the purchase of equipment.				
iv Exceptional income: RDEC				
Research and Development Expenditure Credit (RDEC) receivable before deduction of tax	1.3	53.7	1.3	53.7
RDEC is claimed from HM Revenue & Customs at a rate of 10% or 11% on qualifying research and development expenditure, and is received net of Corporation Tax (see note xi). The income recognised in the year and the previous year relates to qualifying expenditure incurred between 1 April 2013 and 31 July 2015. The University is not eligible to claim for RDEC in relation to any expenditure incurred on or after 1 August 2015.				
v Donations and endowments				
New endowments	28.9	9.8	28.9	9.8
Donations of, and for the purchase of, fixed assets	9.2	15.9	9.2	15.9
Donations of, and for the purchase of, heritage assets	3.7	1.5	3.7	1.5
Other donations with restrictions	8.5	10.7	8.5	10.7
Donations from subsidiary companies	–	–	5.3	10.2
Unrestricted donations	11.7	11.8	11.7	11.8
	62.0	49.7	67.3	59.9
vi Other income				
Other services rendered	42.4	44.7	33.6	37.2
Health and hospital authorities	19.9	20.4	19.9	20.4
Residences, catering and conferences	10.4	9.6	10.4	9.6
Income from intellectual property	10.3	6.8	–	–
Rental income	10.4	8.4	10.4	8.4
Capital grants (other than those included in notes 2 and 3 above)	5.0	3.5	4.1	3.5
Transferred from Cambridge Assessment	18.5	16.8	18.5	16.8
Transferred from Cambridge University Press	–	0.2	–	0.2
Sundry income	13.8	16.1	13.7	15.8
	130.7	126.5	110.6	111.9

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

	2016	2015	2016	2015
	Group	Group	University	University
	£m	£m	£m	£m
vii Investment income				
Income from non-current asset investments:	70.8	69.4	70.2	69.3
Income from current asset investments and cash equivalents	1.7	2.1	1.6	2.1
	72.5	71.5	71.8	71.4
<i>Credited to:</i>				
Permanent endowment reserves	33.8	32.5	33.7	32.4
Expendable endowment reserves	7.6	7.3	7.6	7.3
Restricted reserves	0.6	0.5	0.6	0.5
Unrestricted reserves	30.5	31.2	29.9	31.2
	72.5	71.5	71.8	71.4
viii Staff costs				
Wages and salaries	408.7	392.5	400.7	386.1
Social security costs	39.7	35.9	39.1	35.4
Pension costs:				
Current service cost	89.4	75.8	88.4	74.9
Change in underlying assumptions in calculating USS deficit recovery provision (see note xxi)	13.7	49.7	13.6	49.0
Total pension costs (see below)	103.1	125.5	102.0	123.9
	551.5	553.9	541.8	545.4
The average number of staff employed in the year, expressed as full-time equivalents, was:	10,260	9,988		

Remuneration of the Vice-Chancellor

	2016	2015
	£000	£000
Salary for the year	323	294
Backdated increase in respect of the previous year	22	–
Total salary paid in the year	345	294
Taxable benefits in kind	4	8
Total excluding employer pension contributions	349	302
Employer pension contributions	4	23
	353	325

Salary is the contractual salary before adjusting for salary sacrifice arrangements under which, in common with other employees, the Vice-Chancellor sacrificed an amount of pay and the University paid the same amount to the Universities Superannuation Scheme.

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.

	Clinical		Non-clinical		Total number	
	2016	2015	2016	2015	2016	2015
£100,001 - £110,000	20	20	68	62	88	82
£110,001 - £120,000	17	12	41	27	58	39
£120,001 - £130,000	3	8	26	21	29	29
£130,001 - £140,000	15	8	20	15	35	23
£140,001 - £150,000	10	14	16	8	26	22
£150,001 - £160,000	13	8	11	10	24	18
£160,001 - £170,000	9	17	8	–	17	17
£170,001 - £180,000	10	9	2	6	12	15
£180,001 - £190,000	3	2	3	3	6	5
£190,001 - £200,000	7	6	5	4	12	10
£200,001 - £210,000	3	5	8	5	11	10
£210,001 - £220,000	1	–	–	–	1	–
£220,001 - £230,000	1	–	–	–	1	–
£230,001 - £240,000	–	1	1	1	1	2
£240,001 - £250,000	–	–	2	1	2	1
£250,001 - £260,000	1	–	1	1	2	1
£260,001 - £270,000	–	–	–	2	–	2
£290,001 - £300,000	–	–	2	–	2	–
£300,001 - £310,000	–	–	2	–	2	–
£320,001 - £330,000	–	–	1	–	1	–
£330,001 - £340,000	–	–	1	2	1	2
£380,001 - £390,000	–	–	1	–	1	–
£420,001 - £430,000	–	–	–	1	–	1

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

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)**viii Staff costs (continued)**

The total group pension cost for the year was:

	Employer contributions 2016 £m	Provisions (note xxi) 2016 £m	Total 2016 £m	Employer contributions 2015 £m	Provisions (note xxi) 2015 £m	Total 2015 £m
USS	70.5	9.8	80.3	64.4	42.7	107.1
CPS	21.0	(3.1)	17.9	21.0	(6.7)	14.3
NHSPS	2.2	–	2.2	2.2	–	2.2
Other pension schemes	2.7	–	2.7	1.9	–	1.9
	96.4	6.7	103.1	89.5	36.0	125.5

ix Analysis of consolidated expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	2016 Total £m	2015 £m
Academic departments	229.6	71.8	8.1	–	309.5	294.9
Academic services	28.5	12.3	0.8	–	41.6	42.4
Payments to Colleges	–	64.1	–	–	64.1	45.3
Research grants and contracts	192.7	167.7	16.8	–	377.2	339.1
Other activities:						
Other services rendered	11.3	27.3	0.1	–	38.7	40.2
Intellectual property	3.0	6.7	–	–	9.7	6.5
Residences, catering and conferences	3.0	11.2	–	–	14.2	12.0
Other activities total	17.3	45.2	0.1	–	62.6	58.7
Administration and central services:						
Administration	49.2	1.1	2.4	–	52.7	51.0
General educational	1.3	30.3	–	–	31.6	39.9
Staff and student facilities	2.9	1.5	–	–	4.4	4.5
Development office	5.7	6.9	–	–	12.6	10.3
Other	1.4	2.6	–	–	4.0	4.7
Administration and central services total	60.5	42.4	2.4	–	105.3	110.4
Premises	16.2	44.7	39.7	–	100.6	98.4
Interest payable on bond liabilities	–	–	–	13.2	13.2	13.2
Pension cost adjustments for USS	9.8	–	–	2.7	12.5	44.1
Pension cost adjustments for CPS	(3.1)	–	–	12.4	9.3	7.5
Total	551.5	448.2	67.9	28.3	1,095.9	1,054.0

x Interest payable and other finance costs

	2016 Group £m	2015 Group £m	2016 University £m	2015 University £m
Interest payable on bond liabilities (see note xx)	13.2	13.2	13.2	13.2
Interest on pension liabilities (see note xxi)	15.1	15.5	15.1	15.5
	28.3	28.7	28.3	28.7

xi Taxation

UK Corporation Tax	0.3	11.7	0.3	11.7
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As an exempt charity, the University is potentially exempt from Corporation Tax on income and gains falling within section 287 of the Corporation Tax Act (CTA) 2009 and sections 471 and 478-488 CTA 2010 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 charge for UK Corporation Tax is solely in respect of Research and Development Expenditure Credit grants receivable - see note iv above.

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xii Fixed assets						
<i>Group</i>	Land £m	Buildings £m	Assets in construction £m	Equipment £m	2016 Total £m	2015 Total £m
Cost						
At 1 August	372.7	1,286.8	201.9	250.8	2,112.2	1,940.7
Additions at cost	–	–	143.7	53.4	197.1	175.2
Transfers	–	173.6	(173.6)	–	–	–
Disposals	–	–	–	(5.2)	(5.2)	(3.7)
At 31 July	372.7	1,460.4	172.0	299.0	2,304.1	2,112.2
Accumulated depreciation						
At 1 August	–	38.1	–	202.0	240.1	182.5
Charge for the year	–	41.0	–	26.9	67.9	60.8
Elimination on disposals	–	–	–	(5.2)	(5.2)	(3.2)
At 31 July	–	79.1	–	223.7	302.8	240.1
Net book value						
At 31 July	372.7	1,381.3	172.0	75.3	2,001.3	1,872.1
At 1 August	372.7	1,248.7	201.9	48.8	1,872.1	1,758.2
University						
Cost						
At 1 August	372.7	1,287.1	203.3	249.6	2,112.7	1,940.3
Additions at cost	–	–	144.5	52.5	197.0	176.1
Transfers	–	174.8	(174.8)	–	–	–
Disposals	–	–	–	(5.2)	(5.2)	(3.7)
At 31 July	372.7	1,461.9	173.0	296.9	2,304.5	2,112.7
Accumulated depreciation						
At 1 August	–	38.1	–	201.0	239.1	181.6
Charge for the year	–	41.0	–	26.6	67.6	60.6
Elimination on disposals	–	–	–	(5.2)	(5.2)	(3.2)
At 31 July	–	79.1	–	222.4	301.5	239.0
Net book value						
At 31 July	372.7	1,382.8	173.0	74.5	2,003.0	1,873.7
At 1 August	372.7	1,249.0	203.3	48.6	1,873.6	1,758.7

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xiii Heritage assets	2016 Group £m	2015 Group £m	2016 University £m	2015 University £m
Opening balance	60.9	59.4	60.9	59.4
Additions in the year	4.2	1.5	4.2	1.5
Closing balance	65.1	60.9	65.1	60.9

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.

Heritage assets acquired since 1 August 1999 have been capitalised. 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 capitalised. As a result the total included in the balance sheet is partial.

Additions for the current and previous four years were as follows:	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Acquisitions purchased with specific donations	1.2	1.1	0.4	4.0	0.9
Value of acquisitions by donation	2.5	0.4	0.1	11.6	4.7
Total acquired by, or funded by, donations	3.7	1.5	0.5	15.6	5.6
Acquisitions purchased with University funds	0.5	–	0.5	0.7	0.3
Total acquisitions capitalised	4.2	1.5	1.0	16.3	5.9

xiv Non-current asset investments	Group 2016 £m	Group 2015 £m	University 2016 £m	University 2015 £m
Opening balance	2,100.4	1,869.6	2,092.4	1,861.0
North West Cambridge: additions	141.8	53.0	141.8	53.0
North West Cambridge: disposals at cost and transfers to fixed assets	(23.7)	(1.0)	(23.7)	(1.0)
Other net disposals in the year	(55.4)	(22.4)	(55.5)	(16.5)
Valuation gains on investments	116.6	201.2	114.2	195.9
Closing balance	2,279.7	2,100.4	2,269.2	2,092.4
Represented by:				
CUEF units (see note xxiv)	1,955.7	1,828.1	1,953.2	1,825.7
North West Cambridge development	220.6	102.5	220.6	102.5
Other property	67.4	57.9	67.4	57.9
Securities	9.6	88.4	9.5	88.4
Spin-out and similar companies	26.3	23.5	16.3	15.8
Subsidiary companies	–	–	2.1	2.1
Other	0.1	–	0.1	–
	2,279.7	2,100.4	2,269.2	2,092.4

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xv	Stocks and work in progress	Group 2016 £m	Group 2015 £m	University 2016 £m	University 2015 £m
	Goods for resale	0.3	0.3	–	–
	Other stocks	1.4	1.5	1.3	1.4
		1.7	1.8	1.3	1.4
xvi	Trade and other receivables				
	Amounts due within one year				
	Research grants recoverable	100.1	85.5	100.1	85.5
	Amounts due from subsidiary undertakings	–	–	28.0	29.2
	Other debtors	96.9	118.2	67.9	91.7
		197.0	203.7	196.0	206.4
xvii	Current asset investments				
	CUEF units held on behalf of other entities (see note xxiv)	798.2	723.5	800.7	725.9
	Securities	–	0.4	–	0.4
	Money market investments	45.5	76.2	45.5	76.2
	Other	11.4	–	11.4	–
		855.1	800.1	857.6	802.5
xviii	Cash and cash equivalents				
	Money market investments with maturity less than three months	240.1	217.1	240.1	217.1
	Cash at bank and in hand and with investment managers	15.8	72.4	0.1	55.7
		255.9	289.5	240.2	272.8
xix	Creditors: amounts falling due within one year				
	Bank overdraft	33.9	12.1	33.9	12.0
	Research grants received in advance	190.5	208.2	189.1	203.1
	Amounts due to group undertakings	–	–	12.7	7.4
	Other creditors	191.5	168.6	165.5	151.6
	Investments and cash equivalents for subsidiaries	679.8	657.0	683.7	660.8
	Investments and cash equivalents for others	195.5	151.6	195.5	151.6
		1,291.2	1,197.5	1,280.4	1,186.5
xx	Creditors: amounts falling due after more than one year				
	Bond liabilities	342.5	342.4	342.5	342.4

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 amortised cost using the effective interest rate method.

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)**xxi Pension liabilities**

<i>Group</i>	CPS £m	USS deficit recovery £m	Total 2016 £m	Total 2015 £m
Opening balance	350.5	90.5	441.0	384.9
Movement in year:				
Current service cost	25.0	(3.9)	21.1	21.5
Contributions	(28.1)	–	(28.1)	(35.2)
Interest on liability	12.4	2.7	15.1	15.5
Change in underlying assumptions	–	13.7	13.7	49.7
Actuarial loss	145.2	–	145.2	4.6
Closing balance	505.0	103.0	608.0	441.0
 <i>University</i>				
Opening balance	350.5	89.2	439.7	384.2
Movement in year:				
Current service cost	25.0	(3.9)	21.1	21.5
Contributions	(28.1)	–	(28.1)	(35.1)
Interest on liability	12.4	2.7	15.1	15.5
Change in underlying assumptions	–	13.6	13.6	49.0
Actuarial loss	145.2	–	145.2	4.6
Closing balance	505.0	101.6	606.6	439.7

The net liability in respect of the Cambridge University Assistants' Contributory Pension Scheme (CPS) represents the present value of this defined benefit scheme's obligations to provide future benefits in relation to past service, less the assets of the scheme. For additional information please refer to the audited financial statements of the University.

The liability in respect of deficit recovery payments to the Universities Superannuation Scheme (USS) represents the present value of estimated future employer contributions to the USS to the extent that under the schedule of contributions agreed between the USS and participating employers in July 2015 they are payments towards the recovery of the deficit identified in the actuarial valuation as at 31 March 2014. For this purpose estimated deficit recovery payments over the period of the schedule of contributions ending in March 2031 have been discounted at 1.75% (2015: 3.0%).

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xxii Endowment reserves	Permanent	Expendable	2016	2015	
<i>Group</i>	£m	£m	Total	Total	
			£m	£m	
Balance 1 August	961.6	241.3	1,202.9	1,069.9	
New endowments received	24.8	4.1	28.9	9.8	
Investment income	33.8	7.6	41.4	39.8	
Expenditure	(29.4)	(10.3)	(39.7)	(30.6)	
Valuation gains on investments	52.0	11.4	63.4	114.0	
Balance 31 July	1,042.8	254.1	1,296.9	1,202.9	
Capital	901.6	232.5	1,134.1	1,052.0	
Unspent income	141.2	21.6	162.8	150.9	
Balance 31 July	1,042.8	254.1	1,296.9	150.9	
Representing:					
Trust and Special Funds:					
Professorships, Readerships and Lectureships	524.0	67.5	591.5	530.7	
Scholarships and bursaries	130.2	13.6	143.8	135.0	
Other	364.4	173.0	537.4	468.9	
General endowments	24.2	–	24.2	10.7	
Group total	1,042.8	254.1	1,296.9	1,145.3	
<i>University</i>					
Balance 1 August	959.2	241.3	1,200.5	1,067.7	
New endowments received	24.8	4.1	28.9	9.8	
Income receivable from endowment asset investments	33.7	7.6	41.3	39.7	
Expenditure	(29.4)	(10.3)	(39.7)	(30.4)	
Valuation gains on investments	51.9	11.4	63.3	113.7	
Balance 31 July	1,040.2	254.1	1,294.3	1,200.5	
Capital	899.0	232.5	1,131.5	1,049.6	
Unspent income	141.2	21.6	162.8	150.9	
Balance 31 July	1,040.2	254.1	1,294.3	1,200.5	
xxiii Restricted reserves					
<i>Group</i>	Unspent capital grants	Unspent research grants	Specific donations	2016 Total	2015 Total
	£m	£m	£m	£m	£m
Balance 1 August	29.5	15.4	36.5	81.4	56.7
Donations and grants recognised in the year	61.9	9.6	9.5	81.0	99.6
Investment income	–	–	0.6	0.6	0.5
Expenditure	–	(4.3)	(12.3)	(16.6)	(15.3)
Capital grants spent	(68.5)	–	–	(68.5)	(61.5)
Valuation gains on investments	–	–	0.8	0.8	1.4
Balance 31 July	22.9	20.7	35.1	78.7	81.4
<i>University</i>					
Balance 1 August	29.5	15.4	36.5	81.4	56.6
Donations and grants recognised in the year	61.9	9.6	8.6	80.1	99.3
Investment income	–	–	0.6	0.6	0.5
Expenditure	–	(4.3)	(11.5)	(15.8)	(14.9)
Capital grants spent	(68.5)	–	–	(68.5)	(61.5)
Valuation gains on investments	–	–	0.8	0.8	1.4
Balance 31 July	22.9	20.7	35.0	78.6	81.4

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)**xxiv Cambridge University Endowment Fund (CUEF)**

The University operates a unitised fund, the Cambridge University Endowment Fund (CUEF), for long-term investment in respect of individual restricted endowments and other balances. A number of subsidiary undertakings, Cambridge Colleges and other associated bodies also hold units in the CUEF. The assets of the CUEF were held in the following categories:

	31 July 2016		31 July 2015	
	£m	%	£m	%
Public equity	1,662.0	60.3%	1,564.3	61.3%
Private investment	327.4	11.9%	237.0	9.3%
Absolute return	360.1	13.1%	345.3	13.5%
Credit	11.5	0.4%	44.6	1.8%
Real assets	305.4	11.1%	239.7	9.4%
Fixed interest / cash	87.5	3.2%	120.7	4.7%
Total value of fund	2,753.9	100.0%	2,551.6	100.0%

Public equity includes all equity stocks traded on a liquid market, together with related index funds and derivatives.

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
	2016	2015	2016	2015
	£m	£m	£m	£m
Non-current asset investments (see note xiv)	1,955.7	1,828.1	1,953.2	1,825.7
Current asset investments (see note xvii) - balances held on behalf of:				
Subsidiary undertakings	–	–	2.5	2.4
Colleges	176.7	136.9	176.7	136.9
Other associated bodies	621.5	586.6	621.5	586.6
Total included in current asset investments	798.2	723.5	800.7	725.9
Total value of units	2,753.9	2,551.6	2,753.9	2,551.6

xxv Capital commitments

	Group	Group
	2016	2015
	£m	£m
Commitments for capital expenditure:		
Commitments contracted at 31 July	348.5	344.5
Authorised but not contracted at 31 July	175.4	271.9
Commitments for capital calls on investments:	357.4	328.0

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)**xxvi Transition to FRS 102**

This is the first year for which the University has presented its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The last financial statements prepared under the previous UK GAAP were for the year ended 31 July 2015. The date of transition to FRS 102 was 1 August 2014. Set out below are the changes in accounting policies which reconcile surplus for the financial year ended 31 July 2015 and total reserves as at 1 August 2014 and 31 July 2015 between UK GAAP as previously reported and these unaudited accounts. Reference is also made to the requirements of the Statement of Recommended Practice: Further and Higher Education (SORP) published in 2015, which replaced the previous SORP and gives guidance to the sector in the implementation of FRS 102.

(a) Recognition of capital grants

Grants and donations are received for the purposes of funding the acquisition and construction of fixed assets. In previous years, in the case of depreciable assets, these were credited to deferred capital grants when receivable and released to income over the expected useful life of the respective assets in line with the depreciation policy. Such grants and donations, whether from government or other sources, are now recognised in income when receivable, and where relevant are included in restricted reserves until spent.

(b) Operational property

In previous years the University had a policy of stating operational land and buildings at their 1994 valuation with subsequent additions at cost. On transition to FRS 102 the University has elected to use a new valuation of land and buildings at 1 August 2014 as the deemed cost for those assets. This has resulted in an increase of £711.9m in the book value of operational land and buildings at the transition date. The depreciation charge on the building assets for the year ended 31 July 2015 has been restated based on the deemed cost at 1 August 2014 and on useful remaining lives as determined in relation to the valuation. The resulting depreciation charge for the year ended 31 July 2015 is £6.1m lower than that previously stated.

(c) Multi-employer defined benefit pension scheme: deficit recovery payments

The University is a participating employer in the Universities Superannuation Scheme (USS), a multi-employer defined benefit pension scheme. The University continues to account as if the USS were a defined contribution scheme. Following the requirements of FRS 102, the University recognises a liability for the present value of future contributions payable to the USS to the extent that they represent payments towards recovering the deficit in the USS as identified in the schedule of contributions agreed between the USS and participating employers in effect at the balance sheet date.

(d) Defined benefit pension scheme

The net liability in respect of the Cambridge University Assistants' Contributory Pension Scheme (CPS) has not previously been recognised in the unaudited accounts in respect of academic activities. FRS 102 requires that one entity in the group recognises the net liability in its financial statements. Although CPS covers employees outside the scope of these accounts, the transition to FRS 102 has triggered the recognition of the whole net liability in the University balance sheet in these accounts. No estimate of the extent to which the net liability is attributable to subsidiary entities or to Cambridge Assessment is reflected in these accounts.

(e) Recognition of research income

In previous years restricted grants for research were recognised in income to the extent that recoverable expenditure was incurred in the period. Under FRS 102, grants for research which are classified as government grants or non-exchange transactions are recognised when receivable subject to any performance-related conditions. In cases where grants are received with no performance-related conditions, or where such conditions are met in advance of expenditure being incurred, this results in an acceleration of income recognition. Income recognised in advance of cost is credited to restricted reserves.

(f) Holiday pay accruals

FRS 102 requires short term employee benefits to be charged to the statement of comprehensive income as the employee service is received. This has resulted in the University recognising a liability for holiday pay of £ 6.6m, net of the element recoverable from research sponsors, on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the income and expenditure account as they were paid. The net liability at 31 July 2015 was £6.6m.

(g) Reclassification of investments

In compliance with the previous SORP, previous balance sheets included three classes of investments: fixed asset investments, endowment assets and current asset investments. Endowment assets were not included in current assets. The current SORP specifies two classes of investment, namely non-current assets and current assets.

(h) Restricted reserves

The SORP requires restricted reserves to be identified in the statement of comprehensive income and balance sheet. The University has identified a number of restricted reserves, including: (i) the unspent balances of donations made for restricted purposes, which were classified as expendable endowments under the previous SORP; (ii) unspent capital grants as noted in (a) above; and (iii) research grants received in advance of spent as noted in (e) above.

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xxvi Transition to FRS 102 (continued)

Statement of changes in reserves	Balance at 1 August 2014 £m	Surplus for the year £m	Other com- prehensive income £m	Balance at 31 July 2015 £m
Movement in total reserves and endowments as previously reported in the consolidated statement of recognised gains and losses (STRGL)	2,203.6	43.9	221.6	2,469.1
Adjustments on transition to FRS 102:				
Income previously recognised in the STRGL now included in surplus				
New endowments	–	20.5	(20.5)	–
Gain on investments	–	201.1	(201.1)	–
Capital grants recognised in income (a)	540.4	52.3	–	592.7
Operational property (b)	711.9	6.1	–	718.0
Deficit recovery payments: USS (c)	(46.4)	(44.1)	–	(90.5)
Defined benefit pension scheme (d)	(338.5)	(7.4)	(4.6)	(350.5)
Research income recognition (e)	8.7	6.7	–	15.4
Holiday pay accruals (f)	(6.6)	–	–	(6.6)
Total adjustments on transition to FRS 102	869.5	235.2	(226.2)	878.5
As reported in the statement of changes in reserves	3,073.1	279.1	(4.6)	3,347.6

Group balance sheet at 31 July 2015: net assets

	Non-current assets £m	Current assets £m	Current liabilities £m	Other liabilities and provisions £m	Net assets £m
As previously reported	3,398.4	1,210.6	(1,204.8)	(342.4)	3,061.8
Adjustments on transition to FRS 102:					
Operational property (b)	718.0	–	–	–	718.0
Deficit recovery payments: USS (c)	–	–	–	(90.5)	(90.5)
Defined benefit pension scheme (d)	–	–	–	(350.5)	(350.5)
Research income recognition (e)	–	–	15.4	–	15.4
Holiday pay accruals (f)	–	1.5	(8.1)	–	(6.6)
Reclassification of investments (g)	(82.9)	82.9	–	–	–
Total adjustments on transition to FRS 102	635.1	84.4	7.3	(441.0)	285.8
As reported in the group balance sheet	4,033.4	1,295.1	(1,197.5)	(783.4)	3,347.6

Group balance sheet at 31 July 2015: funds and reserves

	Deferred capital grants £m	Endowment reserves £m	Restricted reserves £m	Unrestricted reserves £m	Total £m
As previously reported	592.7	1,239.5	–	1,229.6	3,061.8
Adjustments on transition to FRS 102:					
Capital grants recognised in income (a)	(592.7)	–	29.5	563.2	–
Operational property (b)	–	–	–	718.0	718.0
Deficit recovery payments: USS (c)	–	–	–	(90.5)	(90.5)
Defined benefit pension scheme (d)	–	–	–	(350.5)	(350.5)
Research income recognition (e)	–	–	15.4	–	15.4
Holiday pay accruals (f)	–	–	–	(6.6)	(6.6)
Reclassification of endowments as restricted reserves (h)	–	(36.5)	36.5	–	–
Total adjustments on transition to FRS 102	(592.7)	(36.5)	81.4	833.6	285.8
As reported in the group balance sheet	–	1,202.9	81.4	2,063.3	3,347.6

NOTES TO THE UNAUDITED ACCOUNTS IN RESPECT OF ACADEMIC ACTIVITIES (continued)

xxvi Transition to FRS 102 (continued)

University balance sheet at 31 July 2015: net assets

	Non-current assets £m	Current assets £m	Current liabilities £m	Other liabilities and provisions £m	Net assets £m
As previously reported	3,399.2	1,198.7	(1,193.9)	(342.4)	3,061.6
Adjustments on transition to FRS 102:					
Operational property (b)	710.7	–	–	–	710.7
Deficit recovery payments: USS (c)	–	–	–	(89.2)	(89.2)
Defined benefit pension scheme (d)	–	–	–	(350.5)	(350.5)
Research income recognition (e)	–	–	15.4	–	15.4
Holiday pay accruals (f)	–	1.5	(8.0)	–	(6.5)
Reclassification of investments (g)	(82.9)	82.9	–	–	–
Total adjustments on transition to FRS 102	627.8	84.4	7.4	(439.7)	279.9
As reported in the University balance sheet	4,027.0	1,283.1	(1,186.5)	(782.1)	3,341.5

University balance sheet at 31 July 2015: funds and reserves

	Deferred capital grants £m	Endowment reserves £m	Restricted reserves £m	Unrestricted reserves £m	Total £m
As previously reported	592.7	1,237.0	–	1,231.9	3,061.6
Adjustments on transition to FRS 102:					
Capital grants recognised in income (a)	(592.7)	–	29.5	563.2	–
Operational property (b)	–	–	–	710.7	710.7
Deficit recovery payments: USS (c)	–	–	–	(89.2)	(89.2)
Defined benefit pension scheme (d)	–	–	–	(350.5)	(350.5)
Research income recognition (e)	–	–	15.4	–	15.4
Holiday pay accruals (f)	–	–	–	(6.5)	(6.5)
Reclassification of endowments as restricted reserves (h)	–	(36.5)	36.5	–	–
Total adjustments on transition to FRS 102	(592.7)	(36.5)	81.4	827.7	279.9
As reported in the University balance sheet	–	1,200.5	81.4	2,059.6	3,341.5