

QUEENS' COLLEGE, CAMBRIDGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

QUEENS' COLLEGE, CAMBRIDGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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QUEENS' COLLEGE, CAMBRIDGE

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 30 JUNE 2014

The full name of the College is "The Queen's College of St Margaret and St Bernard, commonly called Queens' College in the University of Cambridge". The College is a corporate body consisting of the President, Fellows and Scholars.

The Governing Body, which consists of the President and the Fellows, with four student observers, holds at least six meetings each year. The Governing Body met ten times in the year to which this report relates. The President, Professorial Fellows and Official Fellows are the voting members of the Governing Body and, since the Governing Body exercises general control and management of the College, its voting members are the trustees of the charity.

*President

The Rt Hon. Prof. Lord Eatwell

Life Fellows

Prof. A C Spearing

Prof A Singh

Dr B A Callingham

Prof. J E Carroll

Prof. P G Stein

Revd Dr B L Hebblethwaite

Dr J T Green

Dr T H Coaker

Dr W A Phillips

Revd Dr B I Bradshaw

Prof A. N. Hayhurst

Prof. P Spufford

Dr C J Pountain

Prof. Lord Oxburgh

Revd Canon J C Polkinghorne

Prof J Diggle

His Hon. Judge Bridge

Prof K F Priestley³

*Professorial Fellows

Prof. P H Haynes

Prof. E A H Hall

Prof. A N Lasenby

Prof. D.K. Menon

Prof. R W Prager

*Official Fellows

Dr R D H Walker

Dr A D Cosh

Prof. R R Weber

Prof. J A Jackson

Prof. R G Fentiman

Revd Dr J M Holmes

Prof. D Cebon

Prof R L Jones

Dr C N Pitelis²

Dr E G Kahrs

Dr A H Gee

Prof D R Ward

Prof J L Scott

Revd Canon Dr F N Watts²

Dr J W F Allison

Dr B J Glover

Dr M J Milgate

Dr R A W Rex

Dr I K Patterson

Dr C E Bryant

Dr M P V Crowley

Dr J C Muldrew

Dr J W P Campbell

Dr H R N Jones

Dr M J Dixon

Dr A C Thompson

Dr J R Gog

Dr A A Seshia

Prof E M Terentjev

Dr I Sitaridou

Dr A Zurcher

Dr A M Rossi

Mr J Spence

Dr J Russell

Prof. A M Gamble

Dr G J McShane

Dr M Edmonds

Dr G M Fraser

Dr L S Tiley

Dr R Nickl

Dr J W Kelly

Dr A C Rice

Dr J G Goedecke

Dr D J Butterfield

Dr E Gallo

Mr R M C Kitt¹

Dr S Haggarty³

Dr C J Bickerton³

Mr B Karakoulas⁵

Bye-Fellows

Dr A D Challinor

Dr G H Treece

Dr C Smith

Dr H J Stone

Dr J J Maguire

Mr T S Butlin

Mr S J Price

Dr A M Martins

Dr Y Cordeaux

Dr S Wollston

Dr A Paterson

Dr M E B Tait

Dr C Boz²

Dr H J Field

Dr C N Pitelis³

Revd Canon Dr F N Watts⁴

Revd T C Harling³

Mrs A M Hutchings³

Dr M Williamson⁶

Research Fellows

Dr E Moyroud

Ms R Clements

Dr R W Bowman

Dr F I Paddeu²

Dr I Martincorena²

Emeritus Fellows

Dr A M W Glass

¹ From 19th August 2013

² To 30th September 2013

³ From 1st October 2013

⁴ To 30th October 2013

⁵ From 9th December 2013

⁶ From 13th January 2014

*Charity Trustees

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Senior Officers

President	The Rt. Hon. Professor Lord Eatwell
Vice-President	Professor E A H Hall
Senior Tutor	Dr J W Kelly
Senior Bursar	Mr J Spence
Junior Bursar	Dr R D H Walker
Domestic Bursar	Mr B Karakoulas

PRINCIPAL COMMITTEES

Bursarial Committee

The Rt Hon. Professor Lord Eatwell, President
Professor E A H Hall, Vice President
Mr J Spence, Senior Bursar
Dr R D H Walker, Junior Bursar
Dr J W Kelly, Senior Tutor
Mr R M C Kitt
Mr B Karakoulas
Professor D Cebon
Professor R L Jones
Dr A H Gee
Dr R A W Rex
Dr D Butterfield

Fellowships Committee

The Rt Hon Professor Lord Eatwell, President
Professor E A H Hall, Vice-President
Dr J W Kelly, Senior Tutor
Professor R R Weber
Professor J L Scott
Dr J W P Campbell
Dr A E Zurcher
Dr G Fraser

Investments Committee

The Rt Hon. Professor Lord Eatwell, President
Professor E A H Hall, Vice President
Mr J Spence, Senior Bursar
Professor R R Weber
Dr M J Milgate
Dr M J Dixon
Mr R R Foulkes (Queens' Alumnus)
Mr A Pomfret (Queens' Alumnus)
Mrs A Koerling (Queens' Alumna)

Teaching and Learning Committee

Dr J W Kelly, Senior Tutor
Dr A C Thompson, Admissions Tutor
All Directors of Studies of the College
Professor J L Scott

Tutorial Committee

The Rt Hon. Professor Lord Eatwell, President
Dr J W Kelly, Senior Tutor
Dr R D H Walker, Junior Bursar
The Revd Dr J M Holmes, Dean of Chapel
Dr M J Dixon, Dean of College
All Tutors of the College
Professor K F Priestley

QUEENS' COLLEGE, CAMBRIDGE

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

PROFESSIONAL ADVISORS

Auditors

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

Actuaries

Cartwright Group Ltd
Suite 7, 2nd Floor, The Hub, IQ Farnborough
Farnborough
Hampshire
GU14 7JP

Bankers

National Westminster Bank plc
23 Market Street
Cambridge
CB2 3PA

Investment Fund Managers

Heronbridge Investment Management LLP
1 Queen Street
Bath
BA1 1HE

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Property Advisors

Cluttons LLP
Portman House
2 Portman Street
London
W1H 6DU

Bidwells LLP
Trumpington Road
Cambridge
CB2 9LD

Solicitors

Woodfines
Lockton House
Clarendon Road
Cambridge
CB2 8FH

Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

CHARITY INFORMATION

Charity Registration 1137495
Registered Address Silver Street, Cambridge CB3 9ET
Website www.queens.cam.ac.uk

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STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisation

Queens' College, Cambridge is a self-governing academic community and body corporate, comprising the President, Fellows and Scholars and is one of the thirty-one Colleges in the University of Cambridge. The provisions which regulate the purposes and administration of the College are to be found in its Royal Charter, dated 30th March 1448, and its Statutes, as made in 1955 and variously amended from time to time.

The Governing Body

The Charity Trustees of the College are the voting members of the Governing Body, being its President, Professorial Fellows and Official Fellows, appointed by the Governing Body in accordance with the Statutes of the College. The membership of the Governing Body is given on page 3.

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

Under the College Statutes, the Governing Body has the discretion to form committees to consider and to make recommendations to the Governing Body in accordance with the College's Statutes. The Governing Body also has the discretion to delegate powers to committees. The Governing Body has formed a number of committees, the principal ones being:-

- **Bursarial Committee** – to oversee the financial management of the College in accordance with the College Statutes, under the overall direction of the Governing Body. In accordance with the College Statutes, the Senior Bursar, advised by the Bursarial Committee, is responsible for the financial management of the College, subject to the overall direction of the Governing Body. The Bursarial Committee, without the Bursars, acts as an Audit Committee;
- **Investments Committee** – to keep under continual review the investments of the College, against agreed benchmarks, to recommend and implement the investment policy approved by the Governing Body, to maintain consultation with the College's financial advisors;
- **Fellowships Committee** – to consider and advise the Governing Body on the general needs of the College in relation to appointments to Fellowships, in all classes, in accordance with the Statutes of the College;
- **Teaching and Learning Committee** - to review all aspects of College teaching and its relationship to University teaching and to make recommendations accordingly to the Governing Body;
- **Tutorial Committee** – to review and consider general issues pertaining to the welfare of students of the College and to advise the Governing Body on all matters of policy pertaining to student welfare.

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These Committees are a key component of the College's system of internal control, which is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the extent and nature of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30th June 2014 and up to the date of approval of the financial statements. The Governing Body is responsible for ensuring the effectiveness of the systems of internal control: all the above Committees make regular reports to the Governing Body through the medium of detailed minutes, as well as dedicated reports.

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

Induction and Training of Members of the Governing Body

Upon admission to the Fellowship, new members of the Governing Body receive, inter alia:-

- A copy of the College Statutes
- A copy of the most recent Annual Report and Accounts
- A copy of procedures and policies relating to the College
- An up-to-date list of College Officers, Committees and their membership
- A copy of the Charity Commission's guide to the responsibilities of a Charity Trustee (both the full and summary versions)
- A copy of Being a Trustee (the Charity Commission's easy read guidance, which explains the main things that a Trustee needs to know)
- Copies of minutes of previous meetings of the Governing Body and its principal committees
- A declaration of qualifications to be a Trustee (to be signed and held by the College)
- A list of all diary dates relevant to membership of the Governing Body
- Information about the management of conflicts of interest
- The latest circulars from the Charity Commission

Each new member has an induction meeting with the Senior Bursar, prior to attending a meeting of the Governing Body.

Risk Management

The Governing Body is committed to an ongoing policy of identifying, monitoring and managing the risks that might adversely affect the operations and reputation of the College. The Bursarial Committee, chaired by the President, reviews periodically the operational, financial, regulatory and legal risks facing the College, (including reviewing the Corporate Risk Register) and reports accordingly to the Governing Body. The Governing Body keeps under review the structures to deal with risk and is satisfied that appropriate structures are in place to identify, manage and mitigate the risks faced by the College.

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Scope of Financial Statements

The financial statements are a consolidation of the results of Queens' College and its subsidiaries, QC Enterprises Limited and Q College Property Limited. Q College Property Limited has continued to be non-trading during the year.

AIMS AND OBJECTIVES OF THE COLLEGE

The College is an institution of higher education. Its purposes are the promotion of study and prayer.

The College has the following aims and objectives:

- to maintain the College's emphasis on the individual in academic and pastoral provision; to deliver an excellent undergraduate education by safeguarding the provision of small-group teaching through the College-based supervision system; and to achieve and maintain the highest standards in education at both undergraduate and postgraduate levels while maintaining pastoral support through the tutorial system;
- to support a community of Fellows, students and staff, allowing the benefits of a large, internationally renowned University to be realised in a small and close-knit community;
- to promote academic research of the highest quality by Fellows and students;
- to maintain and enhance the endowments and benefactions, historic buildings and grounds of the College for the benefit of future generations.

Remaining an independent foundation, forming part of a collegiate university, is fundamental to the College's long-term strategy. The College endorses the University's mission and core values and agrees that the partnership between the University and the Colleges is central to Cambridge's future development. The College will continue to play an active role in University bodies and in formulating University policy.

In pursuit of its aims and objectives, as well as its charitable objects, the College admits (as junior members) undergraduate and graduate students matriculated in the University of Cambridge. It provides financial and other support to those of its members who require it in order to achieve its aims and objects and it supports teaching and research in the University. In furtherance of its objects, the College maintains and manages an endowment of property and financial assets. Besides financial and tutorial support, the College also supplies accommodation, catering and other services to its members and others.

Public benefit statement

In accordance with its Royal Charter of 1448, the College's charitable objects are the promotion of study and prayer through the provision of a College in the University of Cambridge.

The College provides, in conjunction with the University of Cambridge, an education for some 490 undergraduate and 370 graduate students which is recognised internationally as being of the highest standard. This education develops students academically and advances their leadership qualities and

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interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides:

- teaching facilities and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial and graduate mentoring systems;
- social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College.

The College additionally advances study through:

- providing Research Fellowships to outstanding academics at the early stages of their careers, which enables them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post;
- supporting research work pursued by its other Fellows through promoting interaction across disciplines, providing facilities and providing grants for national and international conferences, research trips and research materials;
- encouraging visits from outstanding academics from outside the University of Cambridge; and
- encouraging the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

The College maintains an extensive Library (including important special collections), so providing a valuable resource for students and Fellows of the College, members of other Colleges and the University of Cambridge more widely, as well as external scholars and researchers.

The College carries forward the tradition, continuous since its foundation, of being a place of prayer. In particular, the College:

- Maintains and supports the Chapel as a place of prayer and holds a variety of religious services on week days and at weekends during term, which are open to the general public and visitors.
- Supports, through the College Chaplaincy team, the emotional, mental and spiritual well-being of all members of the College community whatever their faith tradition, or none.

The resident members of the College, both students and academic staff, are the primary beneficiaries and are directly engaged in study.

However, beneficiaries also include: students and academic staff from other Colleges in Cambridge and the University of Cambridge more widely, visiting academics from other higher education institutions and visiting schoolchildren and alumni of the College who have an opportunity to attend educational events at the College or use its academic facilities. The services in the College Chapel are open to the public and are attended by local residents and visitors to Cambridge.

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The College admits as students those who have the highest potential for benefiting from the education provided by the College and the University and recruits as academic staff those who are able to contribute most to the academic excellence of the College, regardless of their financial, social, religious or ethnic background.

The College charges the following fees:

- a) College composition fees at externally regulated rates to undergraduates entitled to those rates and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the Government), and a fee determined by the College annually to Overseas undergraduates and any Home/EU undergraduates not entitled to the regulated rates; and
- b) Accommodation and meal charges at reasonable rates.

In order to assist undergraduates entitled to Student Support, the College provides through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support for those of limited financial means. In 2013/2014, 97 undergraduates (out of our 442 Home/EU undergraduates) received such bursaries with a total value of £272,389. The scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. It is widely advertised, on the University website, on College websites and in the Admissions Prospectus. The College spent £59,507 on additional bursaries in 2013/2014.

The College also supports all students through a grant scheme to assist with attendance at conferences, and travel grants. In 2013/2014 the College spent £39,810 on this scheme.

In addition to its other programmes, the College operates a hardship scheme for all students in financial hardship. In 2013/2014 the College made hardship grants totalling £42,039.

The sole condition for admission as an undergraduate to Queens' is academic potential. The college will use its best endeavours to ensure that no student is prevented from studying here because of disability or any other social or financial consideration. We are particularly keen to receive applications from schools with no previous tradition of sending students to Cambridge. To further this aim, and to fulfil our desire to widen access to the University in general, we have developed an extensive programme of activities to support potential applicants. We run several open days each year, allowing applicants to experience a Cambridge college for themselves. We receive visits from schools in college and also go out and visit schools ourselves. We run seminars for teachers and allow teachers to observe our interviews to give them a real sense of how our admission process works from the inside. Our outreach and widening participation activity, as part of a University-wide agreement to link areas to colleges, is particularly focused on Bradford, Kent and Havering but we are happy to engage with any school that contacts us. All this activity is coordinated through the Admissions Office and is the responsibility of our Admissions Tutor and our Schools Liaison Officer.

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In order to fulfil its charitable purposes the College employs College Lecturers, Tutors, Clergy and senior academic and administrative officers. These posts are qualifying offices under the College Statutes. The appointment of Fellows is a result of their employment in a qualifying office which office is undertaken with the intention of furthering the College's aims and their employment directly contributes to the fulfilment of those aims. The private benefit accruing to the President and Fellows occurs solely through their employment in a relevant qualifying office by means of salaries, stipends and employment related benefits and is objectively reasonable, measured against academic stipends generally; moreover annual pay increases normally follow national settlements applying to the university sector, as implemented by the University of Cambridge. Without the employment through qualifying offices of Fellows, the College could not fulfil its charitable aims as a College in the University of Cambridge.

The President and Fellows of the College also receive benefits as beneficiaries. These comprise research grants, conference grants, book grants etc. These benefits are provided with the intention of furthering the College's aims. The amounts of the benefits provided are objectively reasonable, measured against the academic benefits made available to other beneficiaries of the College.

Academic Performance

In 2013/2014, 460 undergraduates sat University classed examinations with 84.3% obtaining grades in the First Class or the upper division of the Second Class (or in the undivided Second Class).

Funding of the College

Queens' College is funded from several sources as follows:

	2013/2014	2012/2013	2011/2012	2010/2011
Academic Fees	28.7%	30.4%	29.4%	29.6%
College Accommodation	25.9%	25.9%	25.7%	26.3%
College Catering	8.2%	8.7%	7.6%	8.3%
Conference Activities (including Catering)	12.4%	10.9%	12.5%	13.4%
Investment Income	16.4%	14.4%	14.6%	14.8%
Donations	7.3%	8.8%	7.4%	5.7%
Other	1.1%	0.9%	2.8%	1.9%

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Financial Review

In common with other organisations, the financial year to 30th June 2014 has been a challenging one in difficult economic circumstances. The College has continued to pursue its principal goals of providing a first class educational and research environment to undergraduates, graduate students and Fellows alike, whilst striving to live within its means.

The College's principal objective to provide a world class education to its undergraduates and graduate students places a heavy burden on its resources. Last year this meant spending c£7,900 on each undergraduate student, mainly through the intensive support provided by the individual's Director of Studies, Supervisors and Tutors. The total cost of educating 501 undergraduates, 371 graduate students and funding research came to £5,066,410. Our academic fee income, including Cambridge Bursaries money, was £3,197,644, leaving the balance of £1,868,766 to be found from the College's own resources, including from the generosity of its old members. Excluding the costs of research, which are met through dedicated income streams, the balance of £1,675,005 is equal to c£3,343 per undergraduate, being 42.6% of the total cost.

The balance funded from the College's own resources has steadily increased over recent years and presents a significant, continuing challenge to the College. Those undergraduates admitted after Michaelmas 2012 will have to pay higher University fees for themselves, with a likely commensurate need for increased bursary provision. Increased levels of debt are likely to put heavy pressure on Queens' hardship funds.

Financial Results

The College achieved an Operating Surplus of £464,668, as set out in the Income and Expenditure Statement on page 22. This year's result was not influenced by any exceptional items. This result also included £816,118 of donations of a revenue nature, or unrestricted in respect of their capital, principally in support of education, but it did not include permanent capital donations totalling £2,943,021 in support of various College's activities, including funds for fellowships and teaching, bursaries and hardship funds. These capital donations have been credited to the Statement of Total Recognised Gains and Losses on page 23. The College is very grateful to those of its old members who continue to support it so generously.

Year ended 30th June	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Operating Income	11.15	10.54	10.55	9.08	9.09
Expenditure	<u>10.69</u>	<u>10.08</u>	<u>9.74</u>	<u>9.00</u>	<u>8.91</u>
Operating Surplus (Deficit)	0.46	0.46	0.85	0.08	0.18

The Operating Surplus includes income from the Endowment of £1,832,250, while any realised gains or losses for the Endowment are included in the Statement of Total Recognised Gains and Losses.

The Operating Surplus of £464,668 is realised after charging depreciation of £1,472,494. The depreciation charge has almost doubled in the last six years, but still does not yet reflect the true annual cost to the College of maintaining and enhancing its operational properties, including the main College site.

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There are a number of financial highlights to draw to your attention:

- overall income was 5.8% higher than the previous year;
- overall expenditure increased by 6.1% over the previous year;
- the contribution to the College's overhead of its conference activities was still significant at £1.37 million, this was some 17.5% higher than in 2012/2013, although the trading environment remains challenging;
- the deficit on the Education Account was £1,868,766;
- the College's Residence and Catering activity showed a surplus of £94,941;
- the net assets of the College stand at £84.71 million, following the increase in fixed assets, an increase in investment assets' capital values and an increase in the pension liability under FRS17.

The College is not immune from the effects of an economic downturn and these effects have been most obviously manifested in the decline in Endowment income over recent years. This year income has increased by 21%. The income generated from the Endowment is still some 1.6% lower this year than that achieved six years ago.

Main Endowment and Investment Assets

The College, as a long term investor, has a medium risk appetite for the management of its investments. While risk parameters are agreed with the College's Fund Managers, there are no ethical restrictions placed on the investments that may be made. The market value of the main Endowment and Investment Assets at 30th June 2014 was £73.37 million. This figure includes the proceeds of an £8 million issue of long-term debt, which will be expended on capital projects in the next financial year. The underlying value of the main endowment and investments is £65.37 million invested in global equities (73%), cash, (1.8%), commercial property and property unit trusts (9%) and the balance in the recognised alternative asset classes of private equity and absolute return funds. It should be noted that the private equity investments are unquoted and shown at cost. The College does not re-value the private equity investments and so does not reflect these in the returns detailed below, although managers' valuations are received, on a marked-to-market basis. Gains or losses are recognised only on realisation of the investments. The College's direct investment property assets have been re-valued during the year.

Year ended 30th June	2014	2013	2012	2011	2010
	£mn	£mn	£mn	£mn	£mn
Endowment & Investments Assets	65.37	58.58	53.14	54.24	47.89
Actual Income	1.83	1.51	1.54	1.34	1.37
Gains (Losses)	<u>6.79</u>	<u>5.44</u>	<u>(1.79)</u>	<u>5.82</u>	<u>3.94</u>
Total Return	8.62	6.95	(0.25)	7.16	5.31

The total recorded return on the investment assets in the year was 14.71% (13.08% 2013). Unlike some other Colleges, Queens' only uses its Actual Income in its day to day operations. The College does not drawdown any of its investment gains but accumulates them within reserves.

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Capital Expenditure and Building Renewals

During the year the College spent £2.9 million on improving and enhancing its buildings and their environs. The College has continued with its ongoing programme of refurbishing the College's main site accommodation, as well as its houses within the city, to improve the quality of the accommodation it provides its undergraduates and graduates. This is part of a long term programme.

Future Capital Projects

In 2014/2015, the College will undertake work to refurbish and enhance two staircases in the Cripps Building, refurbish the Dokett Building and provide additional graduate accommodation at Owlstone Croft. The College will also continue with its expenditure programme to improve and enhance the College Estate.

Long Term Debt Issue

The above significant projects will be funded using the proceeds of an unsecured long-term debt issue, in which the College participated with 18 other Colleges. The College's share of the issue was £8 million with an average life of 34 years at an effective rate of 4.42% per annum fixed for the duration of the loan. Although issued through a funding vehicle, the College has no responsibility for the obligations of any other of the issuing Colleges. This issue was a good example of the Cambridge Colleges working well together for a common purpose.

Staff Costs

Approximately 50% of the College's total expenditure is represented by staff costs, both academic and non-academic. It is likely that pay settlements will be very subdued for the foreseeable future. There is, however, a high cost associated with pension contributions. The Cambridge Colleges Federated Pension Scheme (CCFPS), a pension scheme exclusively for non-academic staff, has its full liability recorded in the balance sheet under FRS17. The deficit shown this year has increased further by £1.2 million, as a result of lower gilt and bond yields, increased longevity and other actuarial assumptions during the year increasing the value of the liabilities, notwithstanding better performance in investment markets. The College is reducing its pension liability under the scheme with additional contributions over a ten year period.

Reserves Policy

The College's unrestricted funds amount to £70.6 million, before any pension asset or liability, and are represented in the balance sheet by the College's operational buildings, which are used for teaching and residential purposes, and by part of the investment portfolio. The Endowment Assets amount to £27.7 million and are represented by part of the investment portfolio.

The College takes a long term view of the investment portfolio and attempts to protect its value in real terms and, as a result, to strike an equitable balance between the interests of the present members of the College and future generations. Any new donations or bequests received during the year are added to Unrestricted Funds, unless the donor has made it clear that the funds are to be spent on a particular project.

Principal Risks and Uncertainties

The principal risks and uncertainties that the College faces may be briefly summarised:

- the current economic uncertainties, following the credit crunch and its aftermath, have a significant effect on the markets in which the college invests and it is possible that capital values will be highly volatile and investment income may again be adversely affected;

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- the economic situation may adversely affect the College's conference activities which are a significant contributor to the College's overheads;
- although the College has a long term programme of building renewal and improvement, it is always possible with buildings of the age of the College's estate that there will be unexpected issues that may arise;
- the volatility in investment markets could be one of the factors that may give a deterioration in the pension liability;
- the failure of academic fees to keep up with the rise in academic costs, as well as the inevitable uncertainties with a significant change to the funding of Universities in England, mean that the funding and costs associated with the College's core activity will need to be kept under constant review.

Future Plans

During the course of the coming year the College intends to pursue a number of developments in its pursuit of academic excellence. It will continue to work on encouraging applications from applicants with high academic potential from all parts of society.

It will also continue to develop plans for raising funds to enhance significantly the College's endowment to enable it to continue achieving its objectives following agreed strategic priorities for fundraising approved by the Governing Body in 2010. It will focus principally on raising permanent capital funds for fellowships and teaching, the core activity of the College. Through the Alumni & Development Office, the College will again undertake in 2014/2015 a telephone fund raising campaign. This is an activity that many other Colleges undertake, often with considerable success.

The major building plans have been mentioned earlier in this report.

Conclusion

The College's financial provision can be described as just adequate, although by no means comfortable, but there is a great deal to be done to secure properly the long term future of the College especially for the provision of teaching and research excellence, providing for graduate students and refurbishing and enhancing the historic and other operational buildings.

In the medium term, the College needs to increase its endowment from all sources by £45 million and the College is making some progress towards this goal. The College will also continue to control costs and manage resources to best effect to support its principal objective of providing a first class education. It is not at all certain that academic fees will be increased adequately to meet the full costs of educating our undergraduates and the College needs to plan and act accordingly.

There is no doubt that the challenging environment in which the College has operated in the last year will continue for the foreseeable future and the College will strive to use its resources wisely and efficiently in these difficult circumstances.

The Rt. Hon. Professor Lord Eatwell
Mr J Spence, Senior Bursar
Mr B Karakoulas, Domestic Bursar
Professor D Cebon
Dr A M Gee
Dr D J Butterfield

Professor E A H Hall, Vice-President
Dr R D H Walker, Junior Bursar
Dr J W Kelly, Senior Tutor
Professor R L Jones
Dr R A W Rex

QUEENS' COLLEGE, CAMBRIDGE

RESPONSIBILITIES OF THE GOVERNING BODY

FOR THE YEAR ENDED 30 JUNE 2014

The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The Bursarial Committee has day to day responsibility, under the overall direction of the Governing Body, for ensuring that there is an effective system of internal control and that accounting records are properly kept in accordance with the College's Statutes. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University, for approval by the Governing Body which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period.

In preparing these financial statements, the Governing Body is required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Governing Body is satisfied that the College has adequate resources to continue in operation for the foreseeable future. The financial statements are accordingly prepared on a going concern basis.

The Governing Body has taken reasonable steps to ensure that there are appropriate financial and management controls in place to achieve policy, aims and objectives and to safeguard the assets of the College and prevent and detect fraud and other irregularities.

Any system of internal control, however, is designed to manage rather than eliminate risk and can only provide reasonable, not absolute, assurance against failure to achieve policy aims and objectives and material misstatement or loss.

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

QUEENS' COLLEGE, CAMBRIDGE

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY

FOR THE YEAR ENDED 30 JUNE 2014

We have audited the financial statements of Queens' College for the year ended 30 June 2014 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Governing Body, as a body, in accordance with College's Statutes and the Statutes of the University of Cambridge and with Section 151 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' Responsibilities Statement, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 30 June 2014 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Statutes of the University of Cambridge; and
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

QUEENS' COLLEGE, CAMBRIDGE

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY

FOR THE YEAR ENDED 30 JUNE 2014

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PETERS ELWORTHY & MOORE

Chartered Accountants and Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date:

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

QUEENS' COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2014

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets, and in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable Accounting Standards.

In addition, the financial statements comply with the Statement of Recommended Practice for accounting in Further and Higher Education (the SORP) with the exception of the Balance Sheet, which has been presented in the different format as set out in the relevant section of the Statutes and Ordinances of the University of Cambridge (RCCA). The provisions of the SORP require endowments, deferred grants and revaluation reserves to be disclosed on the face of the Balance Sheet, whereas RCCA requires that part of this information be disclosed in Notes to the Accounts.

All of the income and expenditure carried out by the College during this accounting period was for collegiate purposes.

Basis of consolidation

A separate balance sheet and related notes for the College are not included in the accounts because the College's subsidiary company is a conference and banqueting trading company which donates its profits to the College each year. The balance sheet for the College alone would not be materially different to the one included in the accounts.

Recognition of income

Income from the investment of restricted funds is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year, together with any related contributions to overhead costs. All income from short-term deposits and the investment of unrestricted funds is credited to the Income and Expenditure Account on a receivable basis. Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. Donations and benefactions are included in the Income and Expenditure Account only when they are not added to capital funds, but used for current expenditures.

Pension schemes

Pension costs are assessed on the latest actuarial valuation of the final salary scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the College benefits from the employees' services.

Tangible fixed assets

a. Land and buildings

Land and buildings held for operational purposes are stated at cost. Freehold buildings are depreciated on a straight-line basis over the expected useful economic life of 50 years. Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised as part of the cost of those assets.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June.

QUEENS' COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

b. Maintenance and Renewal of premises

Major refurbishments of buildings are treated as capital expenditures and are depreciated over a twenty-five year period.

c. Furniture, fittings and equipment

Furniture, fittings and equipment are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
Motor vehicles and general equipment	20% per annum
Computer equipment	33⅓% per annum

d. Rare books, silver, works of art and other assets not related to education

Rare books, silver, works of art and other assets not related to education, which are deemed to be inalienable, are not included in the balance sheet. Where such assets are acquired with the aid of specific bequests or donations they are capitalised as above. The related benefactions are credited to expendable capital.

The disposal of fixed assets is deemed to occur at the end of their expected useful life.

Heritage assets

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets) heritage assets acquired before 1 July 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 July 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Investments

Quoted investments are included in the balance sheet at market value. Unquoted investments based on land and property are valued by Bursar's estimate calculated on the basis of capitalised income. Other unquoted investments are valued on the basis of the net invested sum.

Stocks

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

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

QUEENS' COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year. No material sums were recorded this year.

Taxation

The College is a registered charity (No. 1137495) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

Contribution under Statute G II

The College is liable to be assessed for Contribution under the provisions of Statute GII of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants.

Rounding adjustments

The figures appearing in these accounts are rounded to the nearest whole pound. At times this will give the appearance that a set of figures do not add up correctly, but this is not the case when the pence are taken into account.

QUEENS' COLLEGE, CAMBRIDGE
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
		<u>Actual</u>	<u>Actual</u>
		£	£
INCOME	Note		
Academic fees & charges	1	3,197,644	3,196,459
Residences, catering and conferences	2	5,179,551	4,803,192
Endowment and investment income	3	1,832,250	1,514,291
Donations	4	816,118	927,170
Other income		<u>127,265</u>	<u>98,412</u>
Total income		<u>11,152,828</u>	<u>10,539,523</u>
EXPENDITURE			
Education	5	5,066,410	4,884,370
Residences, catering and conferences	6	5,084,610	4,681,090
Other expenditure		<u>537,139</u>	<u>512,556</u>
Total expenditure	7	<u>10,688,159</u>	<u>10,078,016</u>
Surplus/(deficit) on continuing operations before Contribution under Statute G, II		464,669	461,508
Contribution under Statute G, II		<u>(27,000)</u>	<u>(27,000)</u>
Surplus/(deficit) on continuing operations after Contribution under Statute G, II		437,669	434,508
Surplus/(deficit) for the year transferred to accumulated income in endowment funds		11,975	112,509
Surplus/(deficit) for the year retained within general reserves		<u><u>425,694</u></u>	<u><u>321,998</u></u>

All items dealt with in arriving at the surplus/(deficit) for 2014 and 2013 relate to continuing operations

QUEENS' COLLEGE, CAMBRIDGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR YEAR ENDED 30 JUNE 2014

		Restricted funds	Unrestricted funds	2014 Total Funds	2013 Total Funds
		£	£	£	£
Surplus/(deficit) on income and expenditure account		0	425,694	425,694	321,998
Unspent endowment fund income		61,665	(49,690)	11,975	112,509
Increase/(decrease) in market value of investments					
Endowment assets	18	1,770,929	855,399	2,626,329	2,174,669
Fixed asset investments	19	0	4,506,519	4,506,519	3,631,515
New endowments	18	147,479	2,795,542	2,943,021	1,944,135
Actuarial gain/(loss) in respect of pension schemes	16	0	(1,078,830)	(1,078,830)	(1,024,183)
Total recognised gains/(losses) relating to the year		1,980,073	7,454,634	9,434,707	7,160,644
Reconciliation					
Opening reserves and endowments		14,007,842	53,056,255	74,224,741	67,064,097
Total recognised gains/(losses) for the year		1,980,073	7,454,634	9,434,707	7,160,644
Closing reserves and endowments		15,987,915	60,510,889	83,659,448	74,224,741

QUEENS' COLLEGE, CAMBRIDGE
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

	Note	2014 Group £	2013 Group £		
FIXED ASSETS					
Tangible assets	9	25,666,591	20,688,797		
Investments	10	45,686,081	36,477,860		
Endowment Assets	10	<u>27,685,103</u>	<u>22,103,779</u>		
		<u>99,037,776</u>	<u>79,270,436</u>		
CURRENT ASSETS					
Stocks and work in progress	11	375,444	376,452		
Debtors	12	1,268,540	1,617,613		
Cash at bank and in hand	13	(381,418)	112,269		
		<u>1,262,566</u>	<u>2,106,333</u>		
Creditors: amounts falling due within one year	14	2,096,242	1,906,783		
Net current assets/(liabilities)		(833,677)	199,550		
Long term liability	15	(8,000,000)	0		
Net assets-excluding pension asset/(liability)		90,204,100	79,469,986		
Net pension asset/(liability)	16	(5,498,290)	(4,257,233)		
Net assets including pension asset/(liability)		<u>84,705,810</u>	<u>75,212,753</u>		
Represented by:					
		Restricted Funds	Un-restricted Funds	2014 Group	2013 Group
Deferred capital grants	17	<u>0</u>	<u>1,046,360</u>	<u>1,046,360</u>	<u>988,011</u>
Endowments					
Expendable endowments	18	4,428,383	0	4,428,383	3,963,665
Permanent endowments	18	13,933,870	9,322,850	23,256,720	18,140,114
Reserves					
General reserves excluding pension reserve	19	0	61,472,636	61,472,636	56,378,196
Pension reserve	16	0	(5,498,290)	(5,498,290)	(4,257,233)
		<u>18,362,253</u>	<u>65,297,196</u>	<u>83,659,449</u>	<u>74,224,741</u>
TOTAL FUNDS		<u>18,362,253</u>	<u>66,343,556</u>	<u>84,705,809</u>	<u>75,212,752</u>

These accounts were approved by the Governing Body on 03 October 2014 and signed on their behalf by

Lord Eatwell
President

Jonathan Spence
Senior Bursar

QUEENS' COLLEGE, CAMBRIDGE**CONSOLIDATED CASH FLOW STATEMENT****FOR YEAR ENDED 30 JUNE 2014**

	2014	2013
	£	£
Net cash inflow from operating activities	464,669	461,508
Returns on investments and servicing of finance	<u>(2,648,367)</u>	<u>(2,441,461)</u>
	(2,183,699)	(1,979,953)
Depreciation	9 1,472,494	1,311,241
Movement in pension deficit/surplus	16 162,227	80,648
(Increase)/decrease in stocks	11 1,008	(21,880)
(Increase)/decrease in debtors	12 349,073	(215,209)
Increase/(decrease) in creditors	13 <u>189,459</u>	<u>(114,478)</u>
Net cash inflow/(outflow) from operating activities	<u>(9,438)</u>	<u>(939,631)</u>
RETURNS ON INVESTMENTS		
Freehold land and buildings	3 173,007	199,505
Dividends and interest	3 1,659,243	1,314,786
Profit on sale of investments	3 0	0
Net cash inflow/(outflow) from returns on investment	<u>1,832,250</u>	<u>1,514,291</u>
CONTRIBUTION TO COLLEGES' FUND	(27,000)	(27,000)
CAPITAL TRANSACTIONS AND FINANCIAL INVESTMENT		
Receipts from sales of investment assets	10 8,303,743	38,993,384
Donations and benefactions	3,714,665	2,827,443
Deferred capital grants received	102,823	97,750
Long term loan	15 <u>8,000,000</u>	<u>0</u>
Total capital receipts	20,121,230	41,918,577
Payments to acquire tangible fixed assets	9 (6,450,289)	(3,537,728)
Payments to acquire investment assets	10 <u>(15,960,440)</u>	<u>(38,663,499)</u>
Total capital expenditure	(22,410,728)	(42,201,227)
Net cash inflow/(outflow) from investing activities	<u>(2,289,498)</u>	<u>(282,650)</u>
NET CASH INFLOW/(OUTFLOW)	(493,686)	265,010
Net liquid funds at start of year	<u>112,269</u>	<u>(152,741)</u>
Net liquid funds at end of year	<u>(381,417)</u>	<u>112,269</u>

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

7a Analysis of 2013/2014 expenditure by activity

	Staff costs (note 8)	Other Operating expenses	Depreciation	Total
	£	£	£	£
Education	2,679,040	1,838,818	548,553	5,066,410
Residences, catering and conferences	2,244,496	1,916,172	923,941	5,084,610
Other	193,729	343,410	0	537,139
	<u>5,117,265</u>	<u>4,098,400</u>	<u>1,472,494</u>	<u>10,688,159</u>

Expenditure includes fundraising and alumni relations costs of 268,588

7b Analysis of 2012/2013 expenditure by activity

	Staff costs (note 8)	Other expenses	Depreciation	Total
	£	£	£	£
Education	2,687,910	1,702,366	494,093	4,884,370
Residences, catering and conferences	2,192,454	1,671,488	817,148	4,681,090
Other	147,015	365,541	0	512,556
	<u>5,027,379</u>	<u>3,739,396</u>	<u>1,311,241</u>	<u>10,078,016</u>

Expenditure includes fundraising and alumni relations costs of 267,794

7c Auditors' remuneration

	2014	2013
Other operating expenses include:	£	£
Audit fees payable to the College's external auditors	26,971	26,200
Other fees payable to the College's external auditors	3,811	17,854

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

8 Staff costs

	College Fellows	Other academic	Non- academic	Total 2014	Total 2013
	£	£	£	£	£
Staff Costs:					
Full employment cost	1,389,154	200,885	3,527,227	5,117,265	5,027,379
Emoluments	1,120,909	200,885	3,019,208	4,341,001	4,264,197
Social security	92,658	0	204,238	296,896	293,895
Pension	175,587	0	303,781	479,368	469,287
Average staff numbers (full-time equivalents)	28.8	n.a.	126.0	154.8	133.8
Academic numbers of Governing Body	53				

Of the 53 Fellows declared above 50 are stipendary.

No Fellow received any remuneration in respect of their role as a charity Trustee.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000.

9 Tangible fixed assets

	Land and buildings	Assets in construction	Equipment	Heritage Assets	2014 Total	2013 Total
	£	£	£	£	£	£
Cost or valuation						
At beginning of year	29,644,422	0	1,873,100	15,000	31,532,522	29,272,362
Additions at cost	4,191,808	1,792,433	466,048	0	6,450,289	3,537,728
Transfers	0	0	0	0	0	0
Disposals	757,108	0	288,587	0	1,045,694	1,277,568
At end of year	33,079,122	1,792,433	2,050,561	15,000	36,937,116	31,532,522
Depreciation						
At beginning of year	10,018,389	0	825,336	0	10,843,725	10,810,052
Charge for the year	1,050,311	0	422,183	0	1,472,494	1,311,241
Eliminated on disposal	757,108	0	288,587	0	1,045,694	1,277,568
Written back on revaluation	0	0	0	0	0	0
At end of year	10,311,592	0	958,932	0	11,270,525	10,843,725
NET BOOK VALUE						
At end of year	22,767,530	1,792,433	1,091,629	15,000	25,666,591	20,688,797
At beginning of year	19,626,033	0	1,047,764	15,000	20,688,797	18,462,310

The insured value of all the College's operational buildings as at 30 June 2014 was £139m (2013: £134m).

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

9 Tangible fixed assets (continued)

Heritage assets

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance.

As stated in the statement of principal accounting policies, heritage assets acquired since July 2005 have been capitalised. However the majority of assets held in the College's collections were acquired prior to this date. As reliable estimates of the 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.

Amounts for the current and previous years were as follows:

	2014	2013	2012	2011	2010
	£	£	£	£	£
Acquisitions purchased with specific donations	0	0	0	0	0
Acquisitions purchased with College funds	0	0	0	15,000	0
Total cost of acquisitions purchased	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Value of acquisitions by donation	0	0	0	0	0
Total acquisitions capitalised	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>15,000</u></u>	<u><u>0</u></u>

10 Fixed asset investments

	Investments	Endowment Assets	2014 Total	2013 Total
	£	£	£	£
Balance at beginning of year			58,581,639	53,105,340
Additions			15,960,440	38,663,498
Disposals			8,303,743	38,993,384
Less: impairment on unquoted securities			0	(72,152)
Increase/(decrease) in cash balances held at fund managers			0	(1,418,672)
Appreciation/(depreciation)			7,132,848	7,297,009
Balance at end of year			<u><u>73,371,185</u></u>	<u><u>58,581,639</u></u>

Represented by:

Property	5,901,236	0	5,901,236	4,900,889
Quoted securities – equities	32,140,538	22,365,655	54,506,194	32,681,811
Fixed interest securities	2,653,504	1,846,496	4,500,000	0
Other investments	2,729,669	1,899,496	4,629,165	14,988,202
Cash in hand & at investment managers	2,261,133	1,573,456	3,834,589	6,010,737
Total	<u><u>45,686,080</u></u>	<u><u>27,685,103</u></u>	<u><u>73,371,184</u></u>	<u><u>58,581,639</u></u>

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

11 Stocks and work in progress

	2014	2013
	£	£
Goods for resale	375,288	376,233
Work in progress	0	0
Other Stocks	157	219
	<u>375,444</u>	<u>376,452</u>

12 Debtors

	2014	2013
	£	£
Members of the College	17,891	22,446
Other debtors	1,151,861	1,086,843
Prepayments and accrued income	98,787	508,324
	<u>1,268,540</u>	<u>1,617,613</u>

13 Cash and bank balances

	2014	2013
	£	£
Current accounts	(386,516)	108,240
Cash in hand	5,098	4,029
	<u>(381,418)</u>	<u>112,269</u>

14 Creditors: amounts falling due within one year

	2014	2013
	£	£
Caution monies	263,360	287,310
Members of the College	0	0
Receipts in advance	877,983	931,140
University Fees	80,507	92,446
Contribution to Colleges Fund	27,000	27,000
Other creditors	847,392	568,887
	<u>2,096,242</u>	<u>1,906,783</u>

15 Long term loan

During 2013-14, the College has borrowed from institutional investors, collectively with other Colleges, the College's share being £8 million. The Loans are unsecured and repayable during the period 2043-2053, and are at fixed interest rates of approximately 4.4%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets, and has been in compliance with the covenant at all times since incurring the debt.

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

16 Pension Liabilities	2014	2013
	£	£
Balance at beginning of year	4,257,233	3,152,402
Movement in year:		
Current service costs including life assurance	464,777	358,182
Contributions	(356,995)	(353,715)
Other finance cost	54,445	76,181
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	1,078,830	1,024,183
Balance at end of year	5,498,290	4,257,233

17 Deferred capital grants	2014	2013
	£	£
Balance at beginning of the year	988,011	934,122
Donations received	102,823	97,750
Released to income and expenditure account	(44,474)	(43,861)
Balance at end of year	1,046,360	988,011

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

18 Endowments	Unrestricted Permanent	Restricted Permanent	Restricted Expendable	2014 Total	2013 Total
		£	£	£	£
Balance at beginning of year	5,721,599	12,418,515	3,963,665	22,103,779	17,872,466
Capital	5,721,599	12,059,467	3,879,249	21,660,315	17,590,234
Unspent income	0	359,048	84,415	443,464	282,231
Reclassification of Funds	0	0	0	0	0
New Endowments received	2,795,542	143,906	3,573	2,943,021	1,944,135
Income receivable from endowment asset investments	164,957	258,392	83,119	506,467	386,340
Expenditure	214,647	226,854	52,991	494,492	273,830
Net transfer (to)/from income and expenditure account	(49,690)	31,537	30,128	11,975	112,509
Increase/(decrease) in market value of investments	855,399	1,339,911	431,018	2,626,329	2,174,669
Balance at end of year	<u>9,322,850</u>	<u>13,933,870</u>	<u>4,428,383</u>	<u>27,685,103</u>	<u>22,103,779</u>
Comprising					
Capital	9,322,850	13,543,285	4,313,840	27,179,975	21,660,315
Unspent income	0	390,586	114,543	505,129	443,464
Balance at end of year	<u>9,322,850</u>	<u>13,933,870</u>	<u>4,428,383</u>	<u>27,685,103</u>	<u>22,103,779</u>
Representing					
Fellowship funds				16,990,462	12,503,022
Scholarship and prize funds				2,871,541	2,577,166
Hardship funds				1,095,355	974,237
Bursary funds				3,349,267	3,018,507
Travel grant funds				258,710	232,132
Other funds				1,744,484	1,562,162
General endowments				1,375,283	1,236,552
Total				<u>27,685,103</u>	<u>22,103,779</u>

QUEENS' COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2014

19 Reserves

	2014	2013
	£	£
Balance at beginning of year	52,120,963	49,191,632
Reclassification of Funds	0	0
Surplus retained for the year	425,694	321,998
Actuarial gain/(loss)	(1,078,830)	(1,024,183)
Increase/(decrease) in market value of investments	4,506,519	3,631,516
Donations	0	0
Transfer to Endowment Funds	0	0
Balance at end of year	<u>55,974,346</u>	<u>52,120,963</u>

20 CAPITAL COMMITMENTS

At 30 June 2014 future capital expenditure authorised and committed amounted to £9.04m. (2013 - £1.5m)

21 RELATED PARTIES

The College maintains a Register of Interest for all Fellows and College employees with spending authority. It is updated every six months and during the year to 30th June 2014 it reveals that the following material events occurred: Approved loans to College Fellows, who served on the Governing Body, during the year totalled £23,500. The loans attract interest at normal commercial rates.

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

21 PENSION SCHEMES

USS INSTITUTIONS –

FRS17 – RETIREMENT BENEFITS

Principal accounting policies

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Notes to the accounts

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality S1NA ["light"] YoB tables –
No age rating

Female members' mortality S1NA ["light"] YoB tables -
Rated down 1 year

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

Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

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

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is current underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, and estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results for the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on shortfall</i>
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

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

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

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

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

New entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% pa and 6.5% pa for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

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

USS is a “last man standing” scheme so that in the event of insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

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

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

At 31 March 2014, USS had over 162,000 active members and the institution had 60 active members participating in the scheme.

The total pension cost for the institution was £187,385.02 (2013: £186,844). The contribution rate payable by the institution was 16% of pensionable salaries.

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME

The College is also a member of a multi-employer defined benefit scheme, the Cambridge Colleges Federated Pension Scheme (CCFPS), in the United Kingdom. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. The scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004. The College's employees covered by the Scheme are contracted-out of the State Second Pension (S2P).

The College elected to change benefits for service from 1 April 2004 for all members by:

- capping service at 40 years (previously uncapped); and
- paying unreduced pensions from age 65 (previously 60).

The contribution made by the College in respect of the 12 month period ended 30 June 2014 was £356,995 (2013: £353,715), excluding PHI premiums. Contributions over the next year are expected to be at the rate 13.89% of Contribution Pay, plus £23,427 pa to cover expenses, plus £70,000 pa subject to review at future actuarial valuations. These rates exclude PHI.

The major assumptions used by the actuary were:

	<u>30 June</u> <u>2014</u>	<u>30 June</u> <u>2013</u>	<u>30 June</u> <u>2012</u>	<u>31 March</u> <u>2011</u>
Discount rate	4.2%	4.6%	4.7%	5.5%
Price Inflation assumption	3.3%	3.3%	2.7%	3.4%
Rate of increase in salaries	2.8%**	2.8%*	2.2%**	3.2%
Rate of increase in pensions in deferment	3.3%	3.3%	2.7%	3.4%
- GMP				
- Excess pension				
Rate of increase in pensions in payment	3.3%	3.3%	2.7%	3.4%
- GMP accrued up to 5 April 1988	0.0%	0.0%	0.0%	0.0%
- GMP accrued after 5 April 1988			1.5%	2.9%
- Excess Pension over GMP and pension accrued after 5 April 1997	3.3%	3.3%	2.7%	3.4%

*1.5% in 2013, 2.8% thereafter.

**1.5% in 2014 to 2016, 2.8% thereafter.

The underlying mortality assumption is based upon the standard table known as S2 mortality tables for average normal pensioners projected in line with the CMI 2013 projection and a target long-term improvement rate of 1.0% pa (2013: S1 tables and an allowance for improvements using the 2012 projection table with a long term improvement rate of 0.75% pa). This results in the following life expectancies:

- Male age 65 now has a life expectancy of 22.3 years (previously 22.0)
- Female age 65 now has a life expectancy of 24.3years (previously 24.2)
- Male age 45 now and retiring in 20 years would have a life expectancy then of 23.6 years (previously 22.9 years)
- Female age 45 now and retiring in 20 years would have a life expectancy then of 25.8 years (previously 25.3 years)

QUEENS' COLLEGE, CAMBRIDGE
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FOR THE YEAR ENDED 30 JUNE 2014

PENSION SCHEMES (CONTINUED)

The assets in the Scheme and the expected rates of return were:

	<i>Long-term rate of return expected at 30/06/2014</i>	<i>Value at 30/06/2014 £</i>	<i>Long-term rate of return expected at 30/06/2013</i>	<i>Value at 30/06/2013 £</i>	<i>Long-term rate of return expected at 30/06/2012</i>	<i>Value at 30/06/2012 £</i>
Equities and Hedge Funds	7.0%	6,691,513	7.0%	6,038,201	6.4%	5,074,922
Cash, Bonds & Net Current Assets	3.9%	2,198,640	4.0%	2,131,130	3.7%	1,922,319
Property	6.0%	<u>669,152</u>	6.0%	<u>710,376</u>	5.04%	<u>692,035</u>
Total	6.0%	<u>9,559,305</u>	6.2%	<u>8,879,707</u>	5.8%	<u>7,689,276</u>

The following results were measured in accordance with the requirements of FRS17:

	2014 £	2013 £	2012 £	2011 £
Total market value of assets	9,559,305	8,879,707	7,689,276	8,498,253
Present value of Scheme liabilities	<u>(15,057,595)</u>	<u>(13,136,940)</u>	<u>(10,841,678)</u>	<u>(10,065,760)</u>
Surplus/(deficit) in the Scheme	<u>(5,498,290)</u>	<u>(4,257,233)</u>	<u>(3,152,402)</u>	<u>(1,567,507)</u>

The amounts recognised in income and expenditure are as follows:

	30 June 2014 £	30 June 2013 £
In staff costs: Current service cost (net of employee contributions)	<u>464,777</u>	<u>358,182</u>
In endowment and investment income:		
Interest cost	609,838	515,643
Expected return on pension scheme assets	<u>(555,393)</u>	<u>(439,462)</u>
Net return	<u>519,222</u>	<u>434,363</u>
Actual return on pension scheme assets	<u>551,858</u>	<u>935,741</u>

QUEENS' COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

PENSION SCHEMES (CONTINUED)

Changes in the present value of the Scheme liabilities are as follows:

	30 June 2014 £	30 June 2013 £
Present value of Scheme liabilities at beginning of year	13,136,940	10,841,678
Service cost (including employee's contributions)	590,643	480,315
Interest cost	609,838	515,643
Actuarial losses (gains)	1,075,295	1,520,462
Benefits paid	<u>(355,121)</u>	<u>(221,158)</u>
Present value of Scheme liabilities at end of year	<u>15,057,595</u>	<u>13,136,940</u>

Changes in the fair value of scheme assets are as follows:

	30 June 2014 £	30 June 2013 £
Market value of Scheme assets at beginning of year	8,879,707	7,689,276
Expected return	555,393	439,462
Actuarial gains and (losses)	(3,535)	496,279
Contributions by employer	356,995	353,715
Additional contributions by members (including AVCs)	125,866	122,133
Benefits (and expenses) paid	<u>(355,121)</u>	<u>(221,158)</u>
Market value of Scheme assets at end of year	<u>9,559,305</u>	<u>8,879,707</u>

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

	30 June 2014 £	30 June 2013 £	30 June 2012 £	31 March 2011 £	31 March 2010 £
Present value of Scheme liabilities	(15,057,595)	(13,136,940)	(10,841,678)	(10,065,760)	(9,783,569)
Market value of Scheme assets	<u>9,559,305</u>	<u>8,879,707</u>	<u>7,689,276</u>	<u>8,498,253</u>	<u>7,133,171</u>
Surplus/(deficit)	<u>(5,498,290)</u>	<u>(4,257,233)</u>	<u>(3,152,402)</u>	<u>(1,567,507)</u>	<u>(2,650,398)</u>
Experience adjustments on scheme liabilities	(75,896)	16,474	(92,398)	(31,782)	152,626
Experience adjustments on scheme assets	(3,535)	496,279	(1,472,777)	258,514	753,014
Change in assumptions underlying present value of Scheme liabilities	(999,399)	(1,536,936)	(137,133)	839,441	(2,347,297)