Cambridge University Press (Holdings) Limited

Directors' report and financial statements

for the year ended 30 April 2019

Registered Number 04606950

Cambridge University Press (Holdings) Limited

Contents

Cambridge University Press (Holdings) Limited

Directors and advisors

Directors
Mr Andrew Chandler
Mr Paul Colbert
Mr Peter Phillips
Ms Catie Sheret

Company Secretary
Ms Catie Sheret

Business address and registered office
University Printing House
Shaftesbury Road
Cambridge
CB2 8BS

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Maurice Wilkes Building
St. John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Cambridge University Press (Holdings) Limited

Strategic report for the year ended 30 April 2019

The directors present their Strategic report on the affairs of the company, together with the audited financial statements. This annual report covers the year ended 30 April 2019.

Business review and principal activities
Cambridge University Press (Holdings) Limited (the 'Company') is a wholly owned subsidiary of the University of Cambridge. The Company's immediate parent undertaking is Cambridge University Press ('The Press') which is a not for profit organisation and a part of the University of Cambridge. The Press's Annual Report is published online at www.cambridge.org/about-us/who-we-are/annual-report.

The Press is the publishing house of the University of Cambridge (the "University"), whose right to print and sell 'all manner of books' was granted by Henry VIII in 1534. It is the oldest press in the world, having published continuously since the 1580s. The Press's purpose is to advance knowledge, learning and research in pursuit of its aim to be the 21st century's most respected academic and educational publisher.

The principal activity of the Company in the year under review was the provision of sales support, marketing, promotion and other services in a number of overseas locations, as well as acting as a holding company for a group of subsidiary companies. The principal activity of the Company is expected to remain the same for the foreseeable future. Management fee income related to this activity was £8,083,000 (2018: £8,640,000).

The Company, through Cambridge University Press's Education Reform team (recharged to the Company at arm's length rates), has also continued to work collaboratively with a Ministry of Education to develop aspects of their National Curriculum. Revenue, for services provided under this contract, is recognised on a percentage of completion basis. Revenues of £1,182,000 (2018: £1,585,000) have been recognised in the year and the contract is expected to continue until completion which is currently expected to be during the year ending 30 April 2020.

The results of the Company are set out in the income statement on page 12 of these financial statements. The Company's service fee turnover, from its parent and subsidiary undertakings, has decreased by £557,000 (6.4%) (2018: increased by £2,107,000 (32.3%)), compared to the prior year. The main factors driving the decreased service fees are a reduction in cost base through generation of foreign exchange gains and the closure of the Company's offices in Belgium and Cameroon.

Operating profit excluding intra-group dividends received, qualifying corporate donations paid and investment impairments has grown to £409,000 (2018: £257,000). Overall, the Company has reported a loss of £201,000 (2018: profit of £1,067,000) for the financial year; the primary contributor to the loss is an increased qualifying corporate donation payment of £1,350,000 (2018: £850,000) and the existence of a terminal dividend receipt in the prior year of £654,000 from Cambridge Learning Limited which has not been repeated in the current year.

The financial position of the company is set out in the balance sheet on page 13. The net assets have decreased by £214,000 to £28,706,000 from £28,920,000.

Principal risks and uncertainties
The company is an intermediate holding company and, inter alia, is exposed to the risks affecting its principal wholly owned subsidiaries in Mexico, South Africa and India. One of the main areas of risk and uncertainty for the company and its subsidiaries (the 'Holdings Group') lies in the scale of change in its core markets and the evolving needs of customers. New business models continue to emerge and uncertainties around these changes remain accentuated by factors such as cyclicality, the availability of funding and pricing structures.

The Holdings Group must respond effectively to those demands and the associated competitive challenge within the market in a cost-efficient manner. In order to do that the Holdings Group must secure suitably skilled employees, with digital skills in particular, and attract authors of the right quality, consistent with our reputation. In addition, it must deliver a number of large projects, including key technology projects and complete a transformation of back office capability, which are inherently risky and must be delivered at the same time as other essential business change.

Further risk attaches if technology solutions are not delivered to robust performance standards or if there is a failure of critical third party or outsourced supply. Preservation and the successful exploitation of intellectual property rights is at the heart of our business and legal protections around this area are changing too. The Holdings Group must adequately protect its rights under current or future law in the jurisdictions in which it operates. In addition, it is vital that the Holdings Group adequately manages changes in legal and regulatory legislation and, in particular, Anti Bribery and Corruption legislation. Although the company has no significant exposure to credit risk, as the majority of turnover is generated from within the Cambridge University Press Group, as a business with global operations, it is exposed to foreign exchange risk.

Failure to address these issues and successfully manage the associated uncertainties and risks could compromise the Holdings Group's ability to grow profitably and generate the surpluses needed for reinvestment and could cause reputational damage.

Key performance indicators ("KPIs")
The subsidiaries and representative offices of the company are monitored by management in line with Group procedures around monthly management reporting whereby monthly performance is compared against detailed budgets for all areas of income, expenditure and cash flow. Management takes action in response to departures from budget. In addition, the financial results are reported to, and reviewed by, the Press Board of Cambridge University Press.

The key performance indicators used by management are as follows:

KPIs	2019 £'000	2018 £'000	Change £'000	Change %
Turnover	9,265	10,225	(960)	(9.4)
Operating profit excluding intra-group dividends received, qualifying corporate donations paid and investment impairments	409	257	152	59.1

Profit before tax is not considered to be a KPI; this is presented after qualifying corporate donations which are paid prior to finalisation of annual tax returns and therefore are not considered representative of underlying financial performance.

Given the changes in the business this year, mentioned above, and the factors described above that have driven this result, the directors consider performance against these KPIs to be acceptable.

The Strategic report has been approved and is signed on behalf of the board by:

Mr Andrew Chandler
Director

Date : 21 November 2019

Cambridge University Press (Holdings) Limited

Directors' report for the year ended 30 April 2019

The directors present their annual report and the audited financial statements for the year ended 30 April 2019.

Results and dividends
The loss for the financial year, after tax, amounted to £201,000 (2018: profit £1,067,000).

The directors do not recommend the payment of a dividend (2018: £nil).

Future outlook
Further changes in the composition of overseas branches is expected and the exposure to foreign exchange will remain for the foreseeable future, but, despite these, the expectation is that overall the cost base of sales support offices and related service fee income will continue to rise over time.

The current contract with the Omani Ministry of Education is expected to complete during the year ending 30 April 2020 and accordingly related revenues will likely cease in the coming year.

Directors
The directors who have held office in the year and up to the signing of the financial statements, unless otherwise stated, are as follows:

Mr Andrew Chandler	
Mrs Joanna Cheffins	*resigned 1 May 2018*
Mr Paul Colbert	*appointed 25 February 2019*
Mrs Amanda Hill	*resigned 25 February 2019*
Mr Michael Peluse	*resigned 21 May 2018*
Mr Peter Phillips	
Ms Catie Sheret	*appointed 1 May 2018*
Mr Rod Smith	*resigned 25 February 2019*

Company secretary
Ms Catie Sheret

Directors' indemnities
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Financial risk management
Credit risk – as all of the company's turnover is comprised of intra-group service fees and project-based contract work with an international Ministry of Education, the directors do not consider the company to be significantly exposed to customer credit risk.

Within the UK, for banks and financial institutions, only independently rated parties with a minimum credit rating of 'A' are accepted. Similarly independently rated banks and financial institutions are used for overseas accounts insofar as is practicable.

Liquidity risk – the company ensures it has sufficient funds for operations through a mixture of the use of bank overdraft facilities, use of its own cash and requiring repayment of intra-group debt.

The directors to do not consider the company to be significantly exposed to price or interest rate risk.

The financial risk management policies set by the board of directors are implemented by the company's finance department through adherence to and application of the relevant formal policies and procedures available on the Group's intranet.

Political and charitable contributions
The company made no political contributions during the year.

During the year, the company made a charge of £1,350,000 to its income statement (2018: £850,000) in respect of qualifying corporate donations to the Syndicate of the Press of the University of Cambridge.

Branches outside the UK
The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

Argentina
Belgium
Chile
Colombia
Czech Republic
Denmark
Dubai
France
Indonesia
Italy
Kenya
Malaysia
Netherlands
Oman
Pakistan
Peru
Philippines
Poland
Russia
South Korea
Switzerland
Taiwan
Thailand
Vietnam

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the board

Mr Andrew Chandler
Director

Date : 21 November 2019

Cambridge University Press (Holdings) Limited

Independent auditors' report to the members of Cambridge University Press (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cambridge University Press (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 April 2019; the income statement and the statement of comprehensive income for the year then ended, the statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Cambridge University Press (Holdings) Limited (continued)

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 April 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report or Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Cambridge University Press (Holdings) Limited
Independent auditors' report to the members of Cambridge University Press (Holdings) Limited (continued)

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
22 November 2019

Cambridge University Press (Holdings) Limited
Income Statement
for the year ended 30 April 2019

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Turnover	3	**9,265**	10,225
Administrative expenses		**(10,287)**	(10,845)
Other operating income		**81**	27
Income from shares in group undertakings		**158**	1,283
Amounts written off investments		**-**	(208)
Operating (loss) / profit	4	**(783)**	482
Finance income	7	**822**	790
Profit before tax		**39**	1,272
Tax on profit	8	**(240)**	(205)
(Loss) / profit for the financial year		**(201)**	1,067

All results derive from continuing operations.

Statement of comprehensive income
for the year ended 30 April 2019

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
(Loss) / profit for the financial year	**(201)**	1,067
Currency translation differences	**(13)**	347
Total comprehensive (loss) / income for the financial year	**(214)**	1,414

The notes on pages 15 to 29 form part of these financial statements.

Cambridge University Press (Holdings) Limited

Balance sheet
as at 30 April 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	9	**71**	33
Investments	10	**19,683**	19,667
		19,754	19,700
Current assets			
Debtors	11	**19,513**	27,856
Cash at bank and in hand		**6**	6
		19,519	27,862
Creditors: amounts falling due within one year	12	**(10,567)**	(18,642)
Net current assets		**8,952**	9,220
Total assets less current liabilities		**28,706**	28,920
Net assets		**28,706**	28,920
Capital and reserves			
Called up share capital	13	**8,750**	8,750
Retained earnings		**19,956**	20,170
Total shareholders' funds		**28,706**	28,920

The notes on pages 15 to 29 form part of these financial statements.

The financial statements on pages 12 to 29 were approved by the board of directors and authorised for issue on 21 November 2019 and were signed on its behalf by:

Mr Andrew Chandler
Director

Date: 21 November 2019

Registered number: 04606950

Cambridge University Press (Holdings) Limited

Statement of changes in equity
for the year ended 30 April 2019

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 May 2017	8,750	18,756	27,506
Profit for the financial year	-	1,067	1,067
Other comprehensive income for the year	-	347	347
Total comprehensive income for the year	-	1,414	1,414
Balance as at 30 April 2018	8,750	20,170	28,920
Balance at 1 May 2018	8,750	20,170	28,920
Loss for the financial year	-	(201)	(201)
Other comprehensive expense for the year	-	(13)	(13)
Total comprehensive expense for the year	-	(214)	(214)
Balance as at 30 April 2019	**8,750**	**19,956**	**28,706**

The notes on pages 15 to 29 form part of these financial statements.

Cambridge University Press (Holdings) Limited

Notes to the financial statements for the year ended 30 April 2019

1 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including FRS102 and in accordance with the Companies Act 2006 and applicable law.

Cambridge University Press (Holdings) Limited is a private company limited by shares, incorporated and registered in England and Wales (registered number: 04606950), whose registered office is University Printing House, Shaftesbury Road, Cambridge, United Kingdom, CB2 8BS.

Basis of preparation

These financial statements are prepared on a going concern basis and under the historical cost convention.

These financial statements contain information about Cambridge University Press (Holdings) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of the University of Cambridge (the ultimate parent undertaking). The consolidated financial statements of the University of Cambridge may be obtained from the address given in note 18.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Exemptions for qualifying entities under FRS102

The company meets the definition of a qualifying entity for the purpose of certain exemptions under FRS 102 and has taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Foreign currency

Functional and presentational currency

The functional currency of the company is considered to be pound sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements are presented in pound sterling and rounded to thousands.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate and non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

1 Principal accounting policies (continued)

Foreign currency (continued)
Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'Administrative expenses'.

Translation
The trading results of foreign operations are translated into sterling at the average exchange rates for the year. The related assets and liabilities, including goodwill, are translated at the exchange rates ruling at the year-end. Exchange differences arising from the retranslation of net investments in foreign operations and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'. All other translation differences are taken to the income statement.

Revenue recognition
Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the company and (e) when the specific criteria relating to each of the company's sales channels have been met, as described below:

- Service fees for sales support, marketing, promotional and other services are recognised in the period in which these services are rendered;
- for project-based contract work, income is recognised on the basis of progress (percentage of completion), being the ratio of costs incurred at the measurement date and the total expected costs for the programme.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit or loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

1 Principal accounting policies (continued)

Taxation (continued)

Deferred tax
Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in the periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an un-discounted basis using tax rates and laws that have been enacted or substantively enacted by the period end and that they are expected to apply to the reversal of the timing difference.

Employee benefits
The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short-term benefits
Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans
The company operates a number of country specific defined contribution plans for its employees. A defined contribution plan is an independently administered pension plan under which the company pays fixed contributions and beyond that has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

Annual bonus plan
The company operates a number of annual bonus plans for employees. An expense is recognised in the income statement when the company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Leased assets
At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

1 Principal accounting policies (continued)

Tangible assets
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Assets costing less than £5,000 per individual item are expensed in the period in which they are acquired.

Depreciation on tangible assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

	Estimated life for depreciation
Fixtures, fittings, tools and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Investments in subsidiary companies
Investments in subsidiary companies are held at cost less accumulated impairment losses. Impairment reviews are carried out where there is an indication that an investment may have suffered an impairment loss.

Financial instruments
The company has elected to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1 *Principal accounting policies (continued)*

Financial instruments (continued)

Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of non-financial assets is derived from measurement of the present value of the future cash flows of the cash-generating units (CGUs) of which the asset is a part. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets
For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Dividends received
Dividends are derived from the company's wholly owned subsidiaries in the UK, South Africa and India. Dividends are included in the company's financial statements in the period in which the related dividends are received.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

No critical judgements in the application of the company's accounting policies for the year ended 30 April 2019 have been identified.

Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of fixed asset investments (note 10)

Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Revenue recognition (note 3)

Sales contracts have been entered into for which project accounting is required. Judgement is required in determining a robust estimate for cost to complete and percentage of completion of these contracts which ultimately drive revenue recognition. £1,182,000 (2018: £1,585,000) or revenue has been recognised in respect of such contracts.

Taxation (note 8)

The company operates globally and is subject to taxes and duties in many jurisdictions. Estimation and judgement may be required in the calculation of the company's total liability and tax charge where the treatment of an item is uncertain. The complexity of the company and wider Group's structure may also make this more challenging. It can take some time to determine the appropriate treatment, particularly if that is dependent, as is often the case, on agreement with a tax authority or a legal ruling. Any accounting adjustment required is made in the year the treatment is decided.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

3 Turnover

An analysis of the company's turnover by class of business is set out below:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Service fees	**8,083**	8,640
Contract revenue	**1,182**	1,585
Total turnover	**9,265**	10,225

An analysis of the company's turnover by geographical market is set out below:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Europe	**2,906**	3,245
Middle East	**3,032**	3,239
Asia	**2,111**	2,377
Africa	**144**	311
South America	**1,072**	1,053
	9,265	10,225

4 Operating (loss) / profit

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Operating (loss) / profit is stated after (crediting) / charging:		
Dividends receivable	**(158)**	(1,283)
Foreign exchange (gains) / losses	**(825)**	565
Charitable donations – gift aid	**1,350**	850
Depreciation	**24**	22
Hire of other assets – operating leases	**391**	343
Auditors' remuneration – audit of financial statements	**21**	21

5 Remuneration of directors

All directors are executives of the immediate parent, Cambridge University Press. All directors are remunerated by Cambridge University Press, without recharge, as their principal roles are those as executives of that entity.

No directors were accruing retirement benefits under defined benefits schemes (2018: none).

6 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Year ended 30 April 2019 No of employees	Year ended 30 April 2018 No of employees
Marketing and administration	**122**	124

The aggregate payroll costs of these persons were as follows

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Wages and salaries	**4,365**	3,886
Social security costs	**641**	497
Other pension costs (see note 15)	**136**	140
	5,142	4,523

7 Finance income

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
On loans to subsidiary undertakings	**822**	790

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

8 Tax on (loss) / profit

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Current tax		
Foreign tax	**255**	205
Total current tax	**255**	205
Deferred tax		
Origination and reversal of timing differences	**(15)**	-
Total deferred tax	**(15)**	-
Tax on (loss) / profit	**240**	205

Factors affecting the tax charge for the year

The tax charge for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below.

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Reconciliation of tax charge		
Profit before tax	**39**	1,272
Expected tax charge at 19.0% (2018: 19.0%)	**7**	242
Effects of:		
Gift aid timing differences	**(6)**	(52)
Overseas tax	**150**	108
Impairment against carrying value of investments	**-**	40
Expenses not deductible for tax purposes	**14**	14
Income not subject to tax	**(30)**	(244)
Irrecoverable withholding taxes	**105**	97
Total tax charge for the year	**240**	205

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

8 Tax on profit (continued)

Deferred tax asset

	Deferred tax £'000
At 1 May 2018	3
Origination and reversal of timing differences	15
At 30 April 2019	**18**

Analysis of deferred tax asset

	Recognised		Unrecognised	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Other short-term timing differences	**18**	3	**20**	7
Total deferred tax	**18**	3	**20**	7

The deferred tax asset is recorded within Other debtors (see note 11).

The unrecognised deferred tax asset related to capital expenditure that had not yet been relieved for tax purposes. This asset, which was calculated at 19%, has not been recognised on the basis that there is no persuasive evidence at the balance sheet date of future taxable profits against which the asset may be recovered.

Factors that may affect future, current and total tax charges

The standard rate of UK corporation tax will change from 19% to 17% on 1 April 2020. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal within each jurisdiction.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

9 Tangible assets

	Fixtures, fittings, tools and equipment £'000
Cost	
At 1 May 2018	107
Additions	61
Foreign exchange	6
At 30 April 2019	**174**
Accumulated depreciation	
At 1 May 2018	74
Charge for the year	24
Foreign exchange	5
At 30 April 2019	**103**
Net book value	
At 30 April 2019	**71**
At 30 April 2018	33

10 Investments

	Subsidiary undertakings £'000	Joint ventures £'000	Total £'000
Cost			
At 1 May 2018	26,928	537	27,465
Additions	16	-	16
At 30 April 2019	**26,944**	**537**	**27,481**
Provisions			
At 1 May 2018 and 30 April 2019	**(7,261)**	**(537)**	**(7,798)**
Net book value			
At 30 April 2019	**19,683**	**-**	**19,683**
At 30 April 2018	19,667	-	19,667

The directors consider the carrying value of the investments to be supported either by their underlying assets or by their present value determined through the use of discounted cash flow calculations.

Details of the investments are as follows:

Cambridge University Press (Holdings) Limited

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

10 Investments (continued)

	Registered office and country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Cambridge Learning Limited	University Printing House, Shaftesbury Road, Cambridge, CB2 8BS, UK	Non-trading	39,000 "A" ordinary £0.00001 shares and 26,000 "B" ordinary £0.00001 shares – 100%
Cambridge University Press India Private Limited [1]	314 to 321, 3rd Floor, Plot No. 3, Splendor Forum, Jasola District Centre, Jasola, New Delhi - 110025, India	Academic and educational book publisher & distributor for India	1,522,890 ordinary INR10 shares – 100%
Cambridge University Press South Africa Proprietary Limited	Nautica Building, The Water Club, Beach Road, Granger Bay, 8005, South Africa	Academic and educational book publisher & distributor for South Africa	1,000 ordinary ZAR1 shares – 74.91%
Cambridge Knowledge (China) Limited	19th Floor, Printing House, 6 Duddell Street, Central, Hong Kong	Sales support office for the Chinese market	1 ordinary HK$1 share – 100%
ELT Trading SA de CV [1]	Insurgentes Sur 1196 piso 10 Colonia Tlacoquemecatl del Valle, C.P. 03200, Delegacion Benito Juarez, Mexico	Distribution company (Mexico and Latin America)	220,000,000 ordinary Peso 1 shares – 100%
Editorial Edicambridge Cia Ltda [1]	Av. De los Granados E14 - 606 Eloy Alfaro, Oficina 2, Piso 3, Quito, Ecuador	Sales support office for the Ecuadorian market	10,000 ordinary US$1 shares – 100%
Cambridge University Press (Greece) MEPE	Municipality of Koropi, 3 Meteoron Street, 19400, Greece	Sales support office for the Greek, Cypriot & Mediterranean market	600 ordinary €30 shares – 100%
Oncoweb Limited	University Printing House, Shaftesbury Road, Cambridge, CB2 8BS, UK	Non-trading intermediate holding company	2,500 £1 ordinary A and 2,500 £1 ordinary B shares – 100%
Cambridge University Press Satış ve Dağıtım Ticaret Limited Şirketi	Sahrayicedit Mah, Guzide Sok, No: 14/10, Kadikoy, Istanbul, Turkey	Distribution company for Turkey	240,000 ordinary TRY 25 shares – 100%
Cambridge University Press Nigeria Limited[1]	Ampak Plaza, Plot 3, Otunda Jobi Fele Way, Central Business District, Alausa Ikeja, Lagos, Nigeria	Educational book publisher & distributor for Nigeria	10,000,000 ordinary NGN1 shares – 100%
Cambridge Daigaku Shuppan KK	1-1-1, Minami Aoyama, Minato-Ku, Japan	Sales support office for the Japanese market	100 Common JPY100,000 shares – 100%
Cambridge University Press Turkey Satis Destek Limited Sirketi	Sahrayicedit Mah, Guzide Sok, No: 14/10, Kadikoy, Istanbul, Turkey	Sales support office for the Turkish market	40,000 ordinary TRY25 shares – 100%

[1] 1% or less indirectly held through Oncoweb Limited.

Notes to the financial statements for the year ended 30 April 2019 (*continued*)

10 Investments (continued)

	Country of incorporation	Principal activity	Class and percentage of shares held
Joint venture			
Cambridge-Obeikan Company Limited	PO Box 43158, Riyadh 11561, Saudi Arabia	Academic and educational book distributor	3,000 ordinary SAR1,000 shares – 50%

There are no contingent liabilities or capital commitments within the joint venture.

11 Debtors

	2019 £'000	2018 £'000
Trade debtors	**370**	621
Amounts owed by group undertakings	**18,333**	26,594
Other debtors	**259**	194
Prepayments and accrued income	**551**	447
	19,513	27,856

Amounts owed by group undertakings are payable on demand and subject to various interest rates.

12 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdraft	**2,138**	3,474
Amounts owed to group undertakings	**6,837**	13,850
Taxation and social security	**145**	159
Accruals and deferred income	**1,447**	1,159
	10,567	18,642

Amounts owed to group undertakings are payable on demand and subject to various interest rates.

No creditors are secured.

13 Called up share capital

	2019 £'000	2018 £'000
Authorised, allotted and fully paid		
87,500,002 (2018: 87,500,002) Ordinary shares of £0.10 each	**8,750**	8,750

14 Commitments

Total commitments for assets under non-cancellable operating lease contracts are as follows:

	Land and buildings 2019 £'000	Land and buildings 2018 £'000
Payments due:		
No later than 1 year	**261**	298
Later than 1 year and not later than 5 years	**242**	175
Later than 5 years	**29**	47
	532	520

15 Pension schemes

A number of the company's representative offices operate defined contribution schemes. The charge for the year was £136,000 (2018: £140,000). There were no contributions outstanding at the year-end (2018: £nil).

16 Related party transactions

In accordance with exemption conferred by FRS102, Cambridge University Press (Holdings) Limited has not disclosed related party transactions with wholly-owned subsidiaries. There are no related party transactions not covered by this exemption to disclose.

17 Post balance sheet events

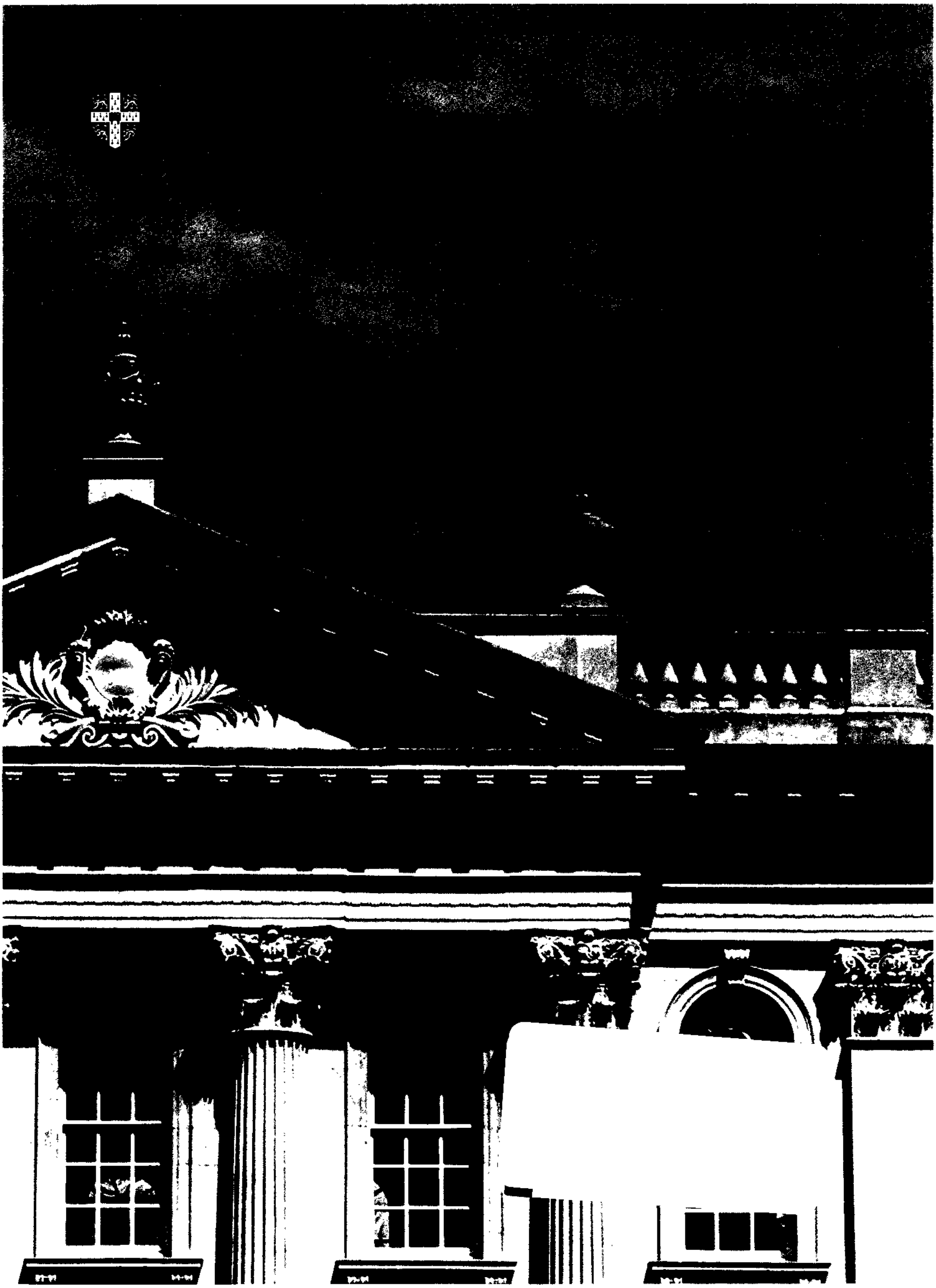
There were no post balance sheet events requiring adjustment or disclosure.

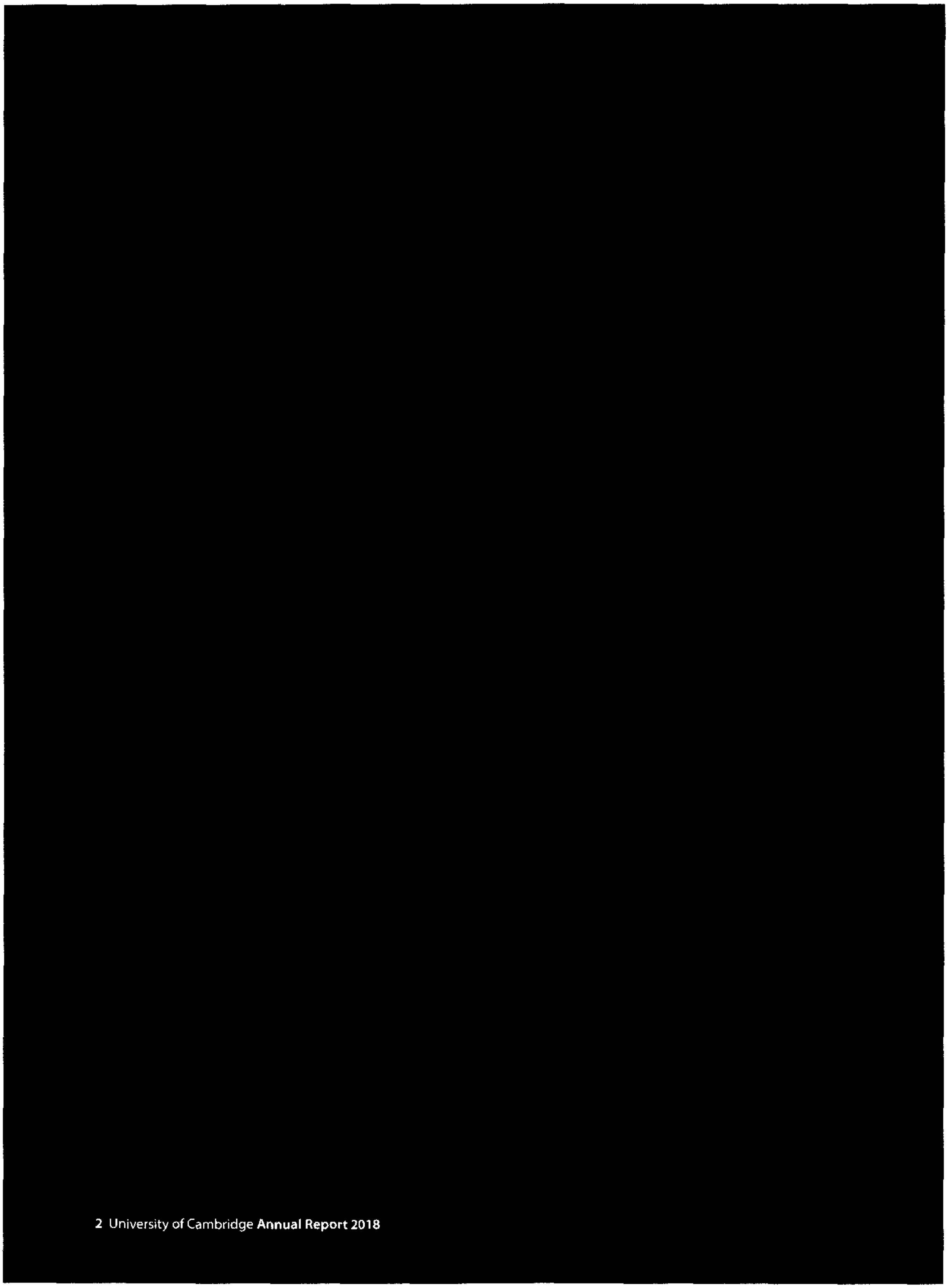
18 Ultimate parent company and parent undertaking of a larger group

The company's immediate parent undertaking is Cambridge University Press which is a not for profit organisation and a part of the University of Cambridge.

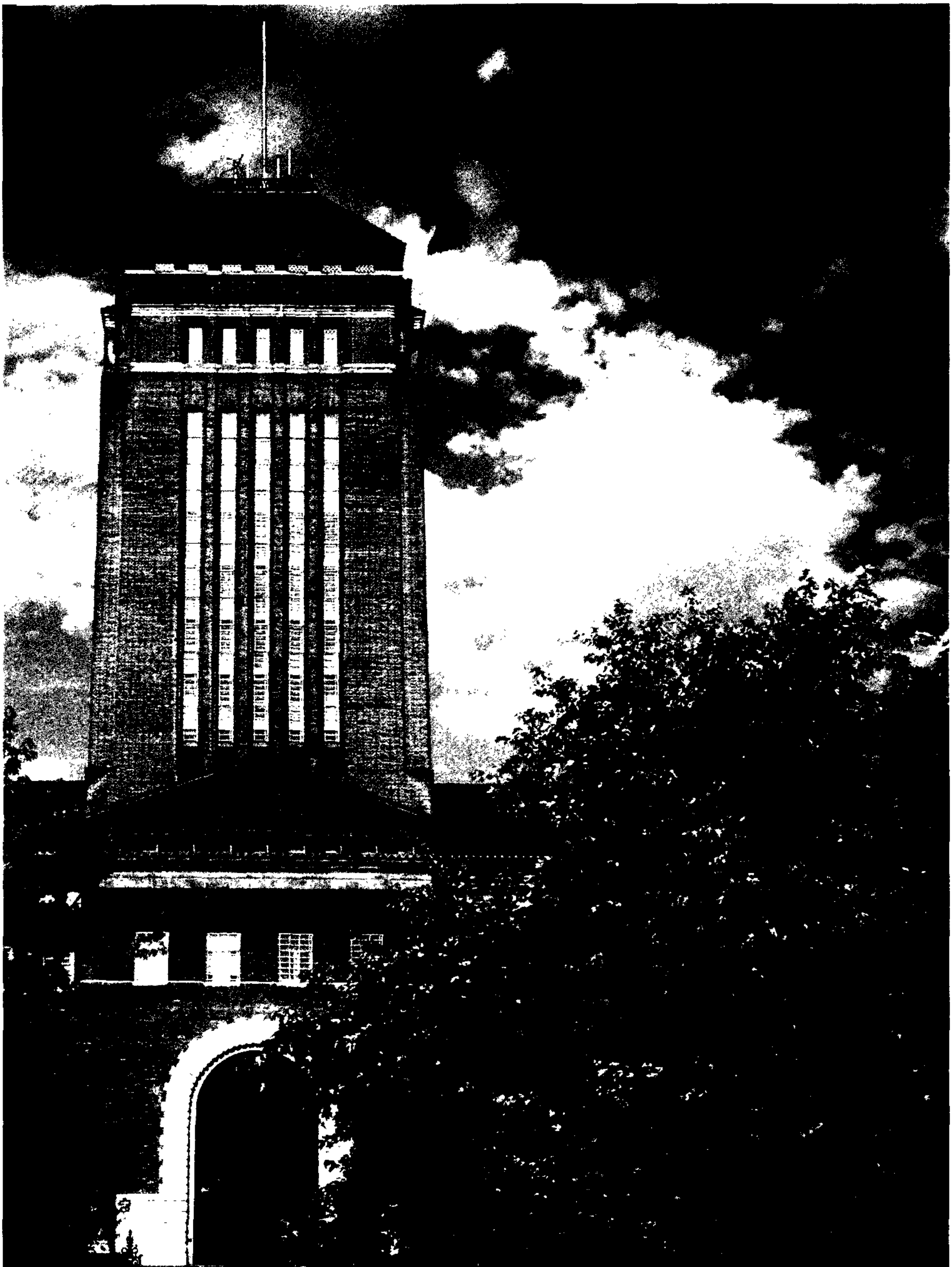
The smallest group in which the results of the company are consolidated are those of Cambridge University Press whose principal place of business is University Printing House, Shaftesbury Road, Cambridge, CB2 8BS.

The ultimate controlling party and largest group in which the results of the company are consolidated is that of the University of Cambridge. The consolidated financial statements of this organisation are published in the Cambridge University Reporter, which is available to the public and may be viewed at: http://www.cam.ac.uk/annual-report.





Reports and Financial Statements 2018



Annual Report of the Council for the academic year 2017–18

The Council begs leave, in accordance with Statute A IV 1(c), to report to the University as follows:

Introduction

The Council presents this Annual Report on its work for the academic year 2017–18 to the University. The Report is delivered in three sections. The first section focuses on the main strategic developments that have engaged the Council and its Committees; the second part includes brief reports of the work of the Council's Committees and working groups; the third part provides an overview of changes to the University *Statutes and Ordinances*, committee membership, and senior positions. The Council's Report should be read in parallel to the Annual Report of the General Board to the Council for the academic year 2017–18, which sets out the University's academic activities overseen by the Board and its Committees in 2017–18.

I. Strategic Developments

Pension dispute and pay negotiations

Throughout the academic year, and in particular in the Lent and Easter Terms, the Council extensively discussed the dispute between the higher education sector employer institutions and the University and College Union (UCU) in relation to the proposed changes to the benefits structure of the Universities Superannuation Scheme (USS). The Council welcomed the announcement of UCU and Universities UK (UUK) in March 2018 about the establishment of a Joint Expert Panel (JEP) to examine the valuation of the scheme.

On 13 September 2018, the JEP reported proposed changes to the valuations assumption that would reduce the costs of providing existing benefits from 36.6% to 29.2% of salary. The proposed changes in assumptions draw on more up-to-date information on the market performance of the scheme's assets, expected returns, and mortality as well as an increase in risk for employers. The Council is aware that the critical point would be how The Pensions Regulator (TPR) reacts to the new proposal and what pressure it will put on the USS Trustee to reject the assumptions or seek additional assurance from employers. At this stage, the timeline for the decision by the USS Trustee / TPR remains unclear but UUK are hoping to arrive at an overall conclusion by the end of the calendar year.

In the meantime, and in parallel with the JEP's considerations over the summer, a member consultation has been launched by the USS on cost sharing proposals for the increase in contributions for employees and employers to take effect from 1 April 2019. This cost- sharing mechanism is a contingency measure that the USS Trustee is obliged to execute in order to demonstrate to TPR that it is acting responsibly to maintain the scheme's funding level. If different benefit arrangements are agreed as a result of the JEP's report in September 2018, the Trustee will move to implement them. This process could take up to twelve months.

The Council remains concerned about the impact of the unresolved pension dispute and the unsuccessful dispute resolution process with regard to the national pay settlement for 2018–19 on the University as an academic community.

Having received a Grace concerning the USS in March 2018, the Council published a Report setting out the reason for withholding authorization of the Grace alongside a revised Grace and a related Notice.[1] The revised Grace stipulates, among other aspects, that in respect of the longer-term position of the USS, the University supports every effort to find a solution that offers an attractive, sustainable, and fair pension settlement acceptable to the University's USS members.

In May 2018, the employers' side of the New Joint Negotiating Committee for Higher Education Staff (N-JNCHES) made a final offer on the national pay settlement for 2018–19. The offer was rejected by the relevant trade unions. Following an unsuccessful dispute resolution process at national level, each of the trade unions is balloting its members about industrial action. The Council engaged in the consultation process with the Universities and Colleges Employers' Association on what level of pay uplift would be affordable for the University. The Council further approved that the University implemented a 2% offer (higher for lower grades) with effect from 1 August 2018 as a draft settlement, pending the outcome of further discussions at a national level.

[1] See Section III of this Report.

Divestment

Following a Grace submitted by the Council on 11 January 2017[2] concerning investment in companies whose business is wholly or substantially concerned with the extraction of fossil fuels, the Council established a working group on divestment (DWG) and commissioned a report into the advantages and disadvantages of the policy of divestment in the last academic year 2016–17.

The DWG consulted widely with relevant bodies, individuals, students and staff, and held two University town hall style meetings in Michaelmas Term 2017. It presented its findings to the Council in April 2018 and recommended that the University adopt a stance of 'considered' divestment.

The Council welcomed the recommendations of the DWG and discussed its response in detail over the course of meetings in May and June 2018. In its response the Council agreed a three-part strategy to help facilitate the transition to a global carbon-neutral future. The three parts comprise:
the implementation of a policy of considered divestment;
a commitment to support further research into the emerging field of environmental impact investment;
and the establishment of a Centre for a Carbon Neutral Future. In addition, in April 2018 the Council agreed to put in place a better mechanism to increase transparency around the Cambridge University Endowment Fund (CUEF) following an interim report of the DWG and consultation with the Investment Board.

Advisory Group on Strategic Responses to Brexit

The Advisory Group on Strategic Responses to Brexit was formed in Michaelmas Term 2017 at the request of the Vice-Chancellor. It was asked to consider the University's strategic response to the potential outcomes of the Brexit negotiations. The Group identified a set of scenarios and made recommendations on how the University could mitigate the adverse impact of each of the scenarios internally and in its engagement with government and external stakeholders. The Council received the report of the Group in June 2018 with a view to a preliminary discussion at its strategic meeting in September 2018 and a detailed discussion in October 2018. At the October meeting, the Council will also receive reports from two groups which have now replaced the Advisory Group: (1) the College Cambridge Brexit Strategy Group (CCBSG), which focuses on medium- and long-term strategic planning for a 'soft' Brexit, where science and education would be one of the key aspects of the partnership between the UK and the EU; and (2) the EU Working Group, which focuses on a contingency plan for a 'no deal' scenario.

***mycambridge* – University consultation**

In January 2018, the Vice-Chancellor launched a University-wide consultation process – *mycambridge* – to gather the views of staff and students about the challenges and opportunities for Cambridge. Close to 350 members of the collegiate University attended five open events hosted by the Vice-Chancellor. Over 550 people responded to an online questionnaire. Participants were asked to consider the University's partnerships, its reputation, its ability to attract talent nationally and internationally, and how it might best pursue its mission. Participants were invited to reflect on issues such as what makes the University unique, what difficulties need to be addressed to ensure the University's continued success, and how to nurture and support an increasingly diverse collegiate community.

The Council received a summary of the key findings in May and the feedback from the consultation was made available to all members of the University in a Summary Report in September 2018. The findings of the consultation will continue to inform the Council's strategic discussion in the next academic year 2018–19.

University budget

The 2018 Budget Report reflected the significant uncertainties and changes affecting the higher education sector – several of which are addressed elsewhere in this Annual Report – and the challenge of developing and committing to strategies for excellence in education and research in an uncertain and changing financial environment.

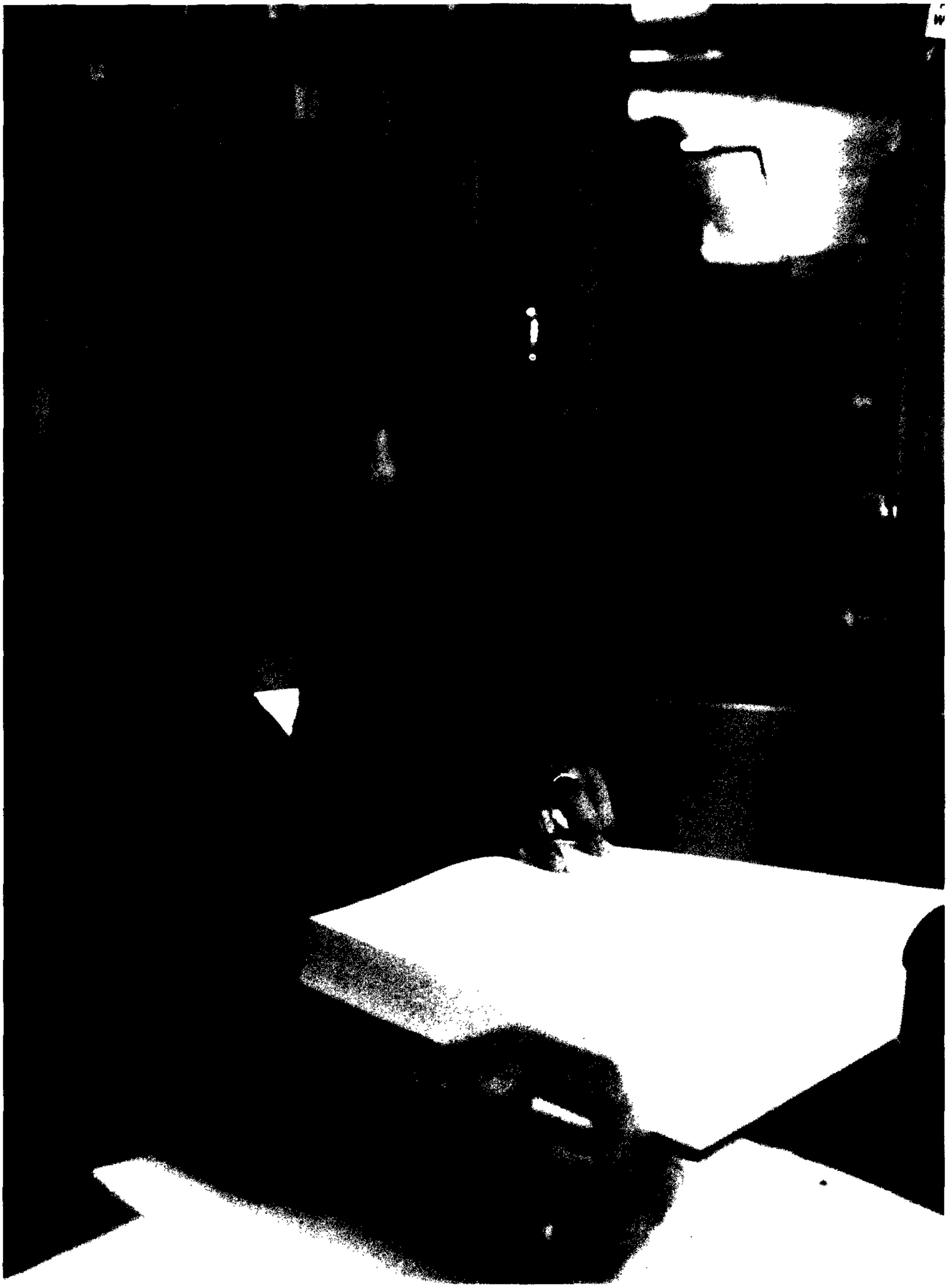
The 2017 Budget Report forecast an overall operating deficit and that the Chest would remain in deficit over the planning period, at levels of £21m in 2017–18 improving to £6m by 2020–21. The 2018 Budget Report reaffirmed that message; a forecast deficit of £25.2m in 2018–19 is expected to improve slightly to £15m by 2021–22.

In this context the need for strategies to support the generation of new and additional income to the Chest, and constrain and reduce expenditure, remains of critical importance. The Council welcomes the work on developing a 10–15-year high-level financial model on improving the University's long-term financial sustainability. In the short term, the Council recognizes that the University must continue to invest in areas of strategic academic importance and provide administrative services that are fundamental to supporting the University's mission.

External finance

Following authorization by the Regent House, and on the advice of the Finance Committee, in May 2018 the Council agreed to proceed with a bond issue of up to £600m for income-generating projects. The decision recognized a market opportunity of securing external finance at historically low interest rates. The proceeds of the bonds provide the University with options for developing its non-operational estate (i.e. capital projects outside

[2] *Reporter*, 6450, 2017–18, p. 307.



Access and widening participation

The University continues to work on widening participation and improving access. In July 2018, the University successfully negotiated with the Office for Students (OfS) its first access and participation plan for 2019–20. This document, which replaces the access agreement with the now defunct Office for Fair Access, sets out a commitment to provide financial support to low income students, deliver outreach work to raise attainment and aspiration, and targets demonstrating the progress it will make on the admission of under-represented and disadvantaged groups. The Council agreed that it is of great importance that the University and the Colleges, individually as well as collectively, strive to perform well against the benchmarks set for each year. Work is already being done to embed monitoring of performance, review targets and to identify what measures need to be in place in order to meet objectives. The Council welcomed particularly the plans for University-wide transition programmes, including a one-year transition course to commence in 2021.

Research integrity

The Council was regularly updated on the press coverage of the work that a Cambridge academic undertook in a private capacity with commercial partners including Cambridge Analytica. The University received and responded to multiple requests for information on the issue under the Freedom of Information Act, as well as multiple enquiries from the press. In addition, the University received and responded to a request for cooperation from the Information Commissioner's Office as part of its enquiry into the use of social media in political campaigns. In the context of these events, the Vice-Chancellor, following consultation with the Council, established an Advisory Working Group on Research Integrity (AWGRI). The Advisory Group is to review the University's current procedure for the management of research involving personal data, the management of conflicts of interest arising from work undertaken by University staff in a private capacity, and the training provided to University staff and research students in research integrity matters.

Health and Safety compliance

In spring 2018, the Council was made aware that improvements had to be made to the management, governance, and assurance of building compliance across the estate of the University of Cambridge. The Directors of Health, Safety, and Regulated Facilities (HSRF) and Estate Management (EM) are developing a methodology to address the concerns. Three separate and distinct levels of assurance are being proposed at a local (EM), remote (HSRF), and external (Audit Committee) level. The aim is to finalize the new methodology in the Michaelmas Term 2018. In addition, the University is developing an updated method of recording built assets and demonstrating compliance with Health and Safety legislation. The updated method is to ensure that buildings are managed, maintained, and monitored systematically and in line with the legal requirements. Operational compliance works continue across the estate. The Health and Safety Committee continues to receive regular updates on the progress on safety compliance.

Employer Justified Retirement Age (EJRA)

The University continues to operate a retirement age for University officers. The arrangement was last formally reviewed in 2015–16, when the Council and General Board approved the recommendations of a review group that the retirement age of 67 be maintained.[3] The application of these arrangements is regularly monitored with particular reference to legal, financial, and pension-related developments. In this context, the Council approved the establishment of a working group in July 2018. The working group is to assess which offices should properly be subject to a compulsory retirement age.

[3] See the Annual Report of the Council for the academic year 2015–16 (*Reporter*, 6448, 2016–17, p. 202) at p. 203.

General Data Protection Regulation

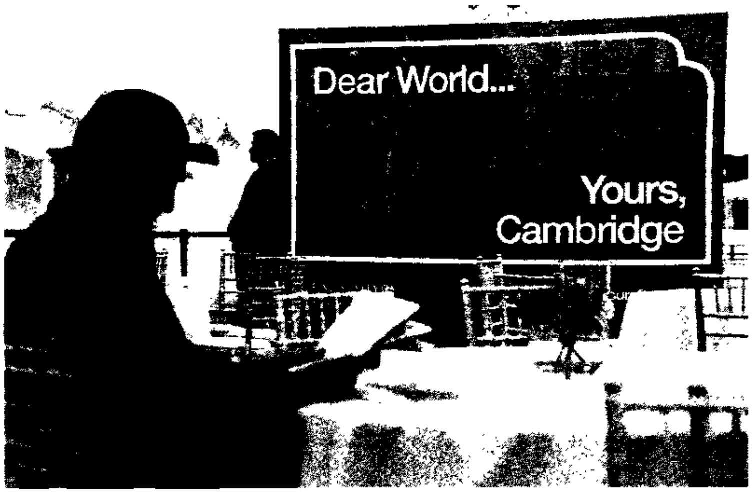
The Council received a detailed update on the University's preparations for the implementation of the General Data Protection Regulation and associated new data protection legislation. It also approved a new Data Protection Policy and a new Data Sharing Protocol to govern the sharing of personal data between the University, the Colleges, and Cambridge in America.

Development and Alumni engagement

The academic year 2017–18 was a remarkable year for the *Dear World, Yours Cambridge* campaign. Overall, at the end of August 2018, the Dear World, Yours Cambridge campaign reached £1.261bn. It reached the halfway point of the £2bn goal in December 2017 and surpassed £1.2bn (the total raised in the 800th Anniversary Campaign) in June 2018. For the first time it crossed the mark of £300m in new funds raised across the Colleges and the University.

University Development, too, is reporting a record year of fundraising performance. It surpassed its 2017–18 target of £150m with a total of £176m in new funds raised in 2017–18. The previous high mark was 2006–07 with £127.8m raised. The context to this exceptional performance is the increasing number of academics engaged at the leadership level of the Campaign. A significant strategic focus on closing eight-figure gifts also proved successful. Three gifts of more than £10m and one at £9.25m totalling £124m accounted for over 70% of total funds raised this year.

Alumni engagement continues to increase with a record attendance of 1,500 at the Alumni Festival and



further growth in our UK and international outreach through Global Cambridge, with events in Leeds, Paris, London, New York, San Francisco, Mumbai, Beijing, and Hong Kong.

II. Reports from Committees and Working Groups

Audit Committee

In 2017–18 the Audit Committee focused on key areas of operational risk including the cyber security programme, data protection, space utilisation, pensions, capital projects, and safety compliance. The Committee received presentations from senior officers and held specific workshops. The findings of audits carried out by the University's internal auditors Deloitte, whose programme of audits is driven by the University's Key Risk Register, complemented the discussions. As part of a general cycle of presentations looking at important areas of interest across the University, the Committee heard from the University's Development and Alumni Relations office (CUDAR) and the School of Clinical Medicine on risks relating to those bodies. It also obtained broader assurance across key areas of operational activity through the annual departmental assurance survey. The Committee is currently considering recommendations on how to ensure that the survey has the best focus and the greatest impact on improving the key first-line controls across the University.

In Easter Term 2018, the University embarked on a review of its set of key risks and the approach to risk management. The review is facilitated by Deloitte. It is envisaged that the revised approach will focus on improving risk linkages to decision making as well as planning and operational management.

Following a market-testing exercise carried out by a sub-group of the Audit Committee with representation from Cambridge University Press and Cambridge Assessment, the current external auditors, PricewaterhouseCoopers LLP, were reappointed for three years from 1 August 2019.

Finance Committee

The work of the Finance Committee during 2017–18 has focused on the performance of major University operations and projects, including budget variances and risk mitigation, in parallel with developing a collective understanding of the University's longer-term financial sustainability.

Specifically, the Committee considered the University's Financial Statements, regular reviews of the University management accounts with a focus on cash flow, the University Budget and Capital Plan, financial considerations associated with the University pension schemes, and discussions around the future of the USS. In addition, the Committee received updates on the North West Cambridge development and the wider University estate, developments at Cambridge Enterprise and Cambridge Innovation Capital, and periodic reports from the Investment Board on CUEF performance. The Committee's work programme includes an annual consideration of University companies and trusts, internal controls, financial regulations, policies, and systems.

In addition to the routine operational business, significant consideration was given to the development and ultimate execution of the successful new bond issues, raising £600m of external finance towards future revenue generating projects in the non-operational estate.[4] The Committee also reported to the Council on the implementation of measures to meet the requirements of the Criminal Finance Act 2017, to prevent the facilitation of tax evasion in the UK and overseas.

The Committee was assisted in its work during 2017–18 through the operation of the Pensions Working Group, the Finance Committee Bond Sub-Committee, and the Finance Committee Business Sub-Committee.

Remuneration Committee

The Remuneration Committee of the Council reviewed its terms of reference to ensure those terms and the operation of the Committee met the requirements of the new Committee of University Chairs (CUC) remuneration code of practice and new regulations from the OfS. The proposed changes add clarity on membership to remove any potential conflicts of interest and are designed to bring greater transparency to issues of senior pay.

[4] See Section I of this Report.

In addition, the Committee continued to manage cases for market payments to grade 12 staff and provided oversight to payments made under incentive schemes for staff in the North West Cambridge project team and the Investment Office.

The Committee coordinated the process for setting the Vice-Chancellor's objectives and for the review of his performance against those objectives.

Planning and Resources Committee

The work of the Planning and Resources Committee (PRC) during the 2017–18 academic year focused largely on the scrutiny of proposals for major building projects via its Capital Projects Process. The most significant of these projects was the approval of the Full Business Case for the new Cavendish Laboratory (Cavendish III). The Committee also oversaw the development of a prioritization and scoring mechanism to help in operating its capital planning and decision making processes within the constraints of financial sustainability. This mechanism tests the feasibility of delivering individual projects in the next five years and at five-yearly intervals thereafter and assesses the potential academic impact of individual projects across a range of categories.

The Committee approved the establishment of an academic seed fund to provide pump-priming for strategic, cross-School academic initiatives that are capable of bringing additional income into the University. The fund was created from underspent allocations from centrally administered funds. An initial round of awards has been made. The awards support early stages in the establishment of an Institute of Neuroscience (as agreed by the General Board in response to the Strategic Research Review of Neuroscience), and new collaborations between the School of Technology, the School of Arts and Humanities, and the School of the Humanities and Social Sciences (an Observatory for Human-Machine Collaboration), and the School of Technology and the School of Clinical Medicine (a Centre for Engineering Better Care).

The Committee also had visibility of the University's involvement in local and regional matters via the Estates Strategy Committee. During 2017–18, the Estates Strategy Committee endorsed the development of a University spatial strategy, approved the University's response to the Greater Cambridge Partnership consultation on a public transport bus route and the Park & Ride site to the west of Cambridge, and gave approval in principle for University land at Lord's Bridge to be used for the development of a solar farm.

Human Resources Committee

In 2017–18, the HR Committee oversaw various developments in the areas of recruitment, talent management, reward, and a thriving and inclusive community to support the People Strategy.

The University introduced new arrangements for academic recruitment which enables institutions to recruit to academic posts in a more timely and flexible matter. A new training programme explains how to create conditions to recruit the best candidates, avoid implicit bias, and ensure fair selection.

The University launched a visa loan scheme to support international staff with immigration costs.

The Academic Practice Group (APG) worked with the Academic Division's Educational and Student Policy section to develop a programme for the Cambridge Centre for Teaching and Learning (CCTL). To help align the work of CCTL with the University's priorities for education, the APG has now transferred to the Academic Division. Staff at Personal and Professional Development increased the number of apprentices in the University. They delivered roadshows and briefings, together with a website to raise awareness of available opportunities. After a second year participating in the Ambitious Futures graduate trainee programme, the University developed the Professional Services Graduate Programme and recruited its first cohort.

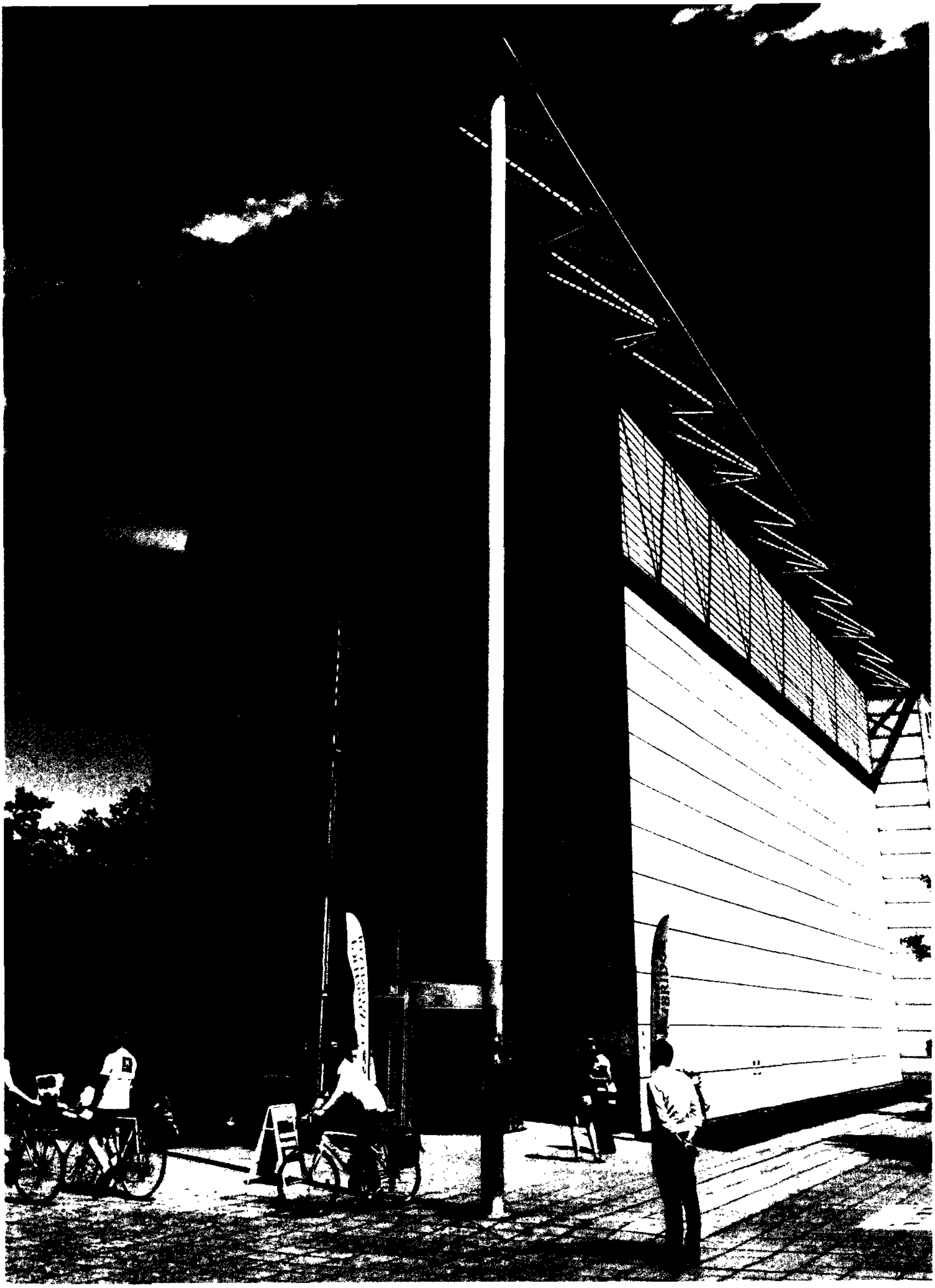
The University launched the Inclusive Cambridge website, following publication of the gender pay gap report. The website provides information to staff and managers to help reduce the gap. A pilot rental deposit scheme supports new and existing staff in securing accommodation.

In October 2017, the University launched *Breaking the Silence*, a campaign to prevent sexual misconduct and harassment. This cultural change programme included student-focused initiatives and a staff programme which continues to roll out across institutions. The launch was a great success, with 25,000 hits on the website and tweets reaching five million accounts. The campaign was awarded a Mark of Excellence by the Chartered Institute of Public Relations (Not-for-Profit Campaign). Other wellbeing initiatives focused on mental health awareness and managing work demands. Lastly, the newly opened Postdoc Centre at Eddington houses the OPdA and provides facilities for the postdoc community.

Investment Board

The Investment Board continued to act during 2017–18 on behalf of all investors in the CUEF. The Board is made up of senior figures active in investment markets, with strong connections and sympathies to the University, and the Vice-Chancellor to ensure congruence with the University. The external member experts continue to bring insights into sector structures and opportunities, and new ideas and business to the Investment Office.

The Investment Board received interim reports from the Investment Office and continued to advise the Council through its Finance Committee on matters relating to the CUEF. The Board monitored the



performance of the CUEF against appropriate benchmarks and submitted its annual report to the Council. It noted a challenging but strong year. The 2018 CUEF performance of 8.8%, brings the Investment Office annualized performance for the ten years since its inception to 10%. This performance equates to a cumulative monetary outperformance of over £300m to the agreed benchmark and a delivery of value materially ahead of the agreed long-term growth objective.

Press and Assessment Board

The Press and Assessment Board was established in 2017 to oversee the businesses of the Cambridge University Press (CUP) and Cambridge Assessment (CA). It is responsible for the businesses' strategies and objectives with a view to maximising value (in the widest sense) for the University as a whole. This includes better alignment of the businesses with each other and with the University where appropriate. In the current year, the Board received extensive reports on the wider businesses' competitors and the performance of the businesses' various business streams. With the approval of Ofqual, the Board agreed to act as governing body in respect of CA's awarding bodies for regulatory purposes (in the case of Oxford Cambridge and RSA (OCR) in its capacity as the board of directors of OCR).

The Board held an Away Day in January 2018 when it reviewed in detail a prospective joint strategy between the businesses under a number of different themes, including digital formative assessment, sales and market alignment, teacher training, Cambridge maths, education reform, and EdTech/AI capability. The Board has approved the businesses' accounts for their respective financial years, as well as their three-year business plans. It has also considered opportunities for investment and acquisition.

Committee on Benefactions and External and Legal Affairs

The Committee, formerly the Advisory Committee on Benefactions and External and Legal Affairs (ACBELA), revised its name and remit in June 2018. The new Committee on Benefactions and External and Legal Affairs (CBELA) is primarily concerned with the scrutiny of sources of significant funding to the University from an ethical and reputational perspective. Amongst other business, it also exercises oversight of the University's legal affairs and reviews the University's policy on investment responsibility on behalf of the Council.

The Committee noted over the year that individual academics are increasingly taking a lead in promoting benefactions, and due diligence reports prepared by CUDAR now identify the academic promoting the benefaction where appropriate. During the year, the Committee positively reviewed over thirty donations totalling approximately £130m, advising the Vice-Chancellor that they would be acceptable. The Committee advised that two further potential benefactions could be cultivated, subject to the matter returning to the Committee prior to the University entering into any commitment. During the period in question, the Committee advised that three potential benefactions should not be cultivated further.

Prevent Committee

The Council received the University's annual report on the Prevent duty for the period 2016–17 and approved its submission to the Higher Education Funding Council for England (HEFCE), as the monitoring authority for the Prevent duty in relevant higher education bodies. The Vice-Chancellor received confirmation from the Chief Executive of HEFCE in March 2018 that the report demonstrated sufficient evidence of due regard to the Prevent duty; the letter also indicated that the Office for Students would become the new monitoring authority for the sector with effect from 1 April 2018. The Prevent Committee, a joint committee of the Council and the General Board, continued to oversee the University's compliance with the duty during the year.

Review Committee on Student Discipline

In the Easter Term 2018, the Committee published a consultation document putting forward proposed changes to the University's student disciplinary procedure.[5] A response to the comments received will be published in the Michaelmas Term 2018. The Committee also contributed to a response to the consultation by the Office of the Independent Adjudicator (OIA) on draft guidance on student disciplinary procedures in July 2018. The Committee expects to commence work on a revised procedure in the Michaelmas Term 2018, following publication of the final OIA guidance.

Governance Review Working Group

The Working Group was convened in May 2017 to consider three specific aspects of governance: Regent House membership; Council membership; and Discussions.[6] The Group met on three occasions in 2017–18 to discuss these matters and took into account comments received during an initial consultation. In June 2018, the Council asked the Group to also consider an alternative to the removal of the Faculty membership criterion as proposed by members of the Regent House (see p. 187). The Group launched a consultation on Discussions, inviting comments by 31 October 2018.[7]

Review of the Careers Service

In November 2016, the Council and the General Board commissioned a review of the Careers Service. The joint Report of this review was published at the end of Michaelmas

[5] *Reporter*, 6508, 2017–18, p. 626.
[6] *Reporter*, 6464, 2016–17, p. 508.
[7] *Reporter*, 6516, 2017–18, p. 842.

Term 2017 and set out new governance arrangements for the Careers Service, including a new Careers Service Committee. This committee held its first meeting in the Easter Term 2018 and began to consider the other recommendations of the review (e.g. the development of a strategic plan for careers and employability).

III. Graces / Changes to Statutes, Membership, and Personnel

Changes to the University's Statutes

Amendments to Statutes A III and A VIII in the form approved by Grace 1 of 27 September 2017 were approved by Her Majesty in Council on 24 April 2018.[8] These changes confirm in Statute the powers of members of the Regent House to initiate and submit Graces to the Regent House, and to initiate proposals for the amendment of a Grace already submitted to the Regent House but not yet approved.

Graces and amendments initiated by members of the Regent House

Age limit on membership of the Regent House[9]

The initiated Grace proposed that the age limit on membership of the Regent House be removed; a review of the membership suggested that this change would most directly affect College Fellows. Following a consultation with the Colleges in the Michaelmas Term 2017, the Council agreed to submit the Grace as Grace 1 of 7 February 2018 and noted that it would support an amendment proposing an alternative to the Grace. An amendment was received, which proposed that Heads of House certify that the Fellows of their Colleges were active participants in the University's affairs. A ballot was held and the Regent House approved the Grace in its amended form (340 in favour of the Grace in its original form, 392 in favour of the Grace in its amended form). The Grace was set aside by the Council's Notice dated 24 September 2018 following the withholding of consent to the change by a College. The Council has asked the Governance Review Working Group to consider anew the removal of the age limit.

Living Wage[10]

The Grace proposed that the University should seek accreditation to the Living Wage Foundation. It was submitted as Grace 2 of 7 February 2018 and approved without a ballot on 16 February 2018.

Class-lists[11]

This amendment sought the continuation of the publication of complete class-lists, rejecting the opt-in system for obtaining consent for publication proposed by Grace 2 of 17 January 2018. The Vice-Chancellor ruled the amendment inadmissible on the grounds that it would contravene data protection legislation, resulting in a ballot on the original Grace. The original Grace was approved by ballot (412 in favour, 391 against).

Universities Superannuation Scheme[12]

This Grace proposed, *inter alia*, that the University should 'continue to offer a competitive Defined Benefit pension scheme'. The recommendations of a Report proposing that the Grace be withheld were approved by Grace 2 of 6 June 2018. The Council submitted its own Grace, which retained elements of the original Grace, and was approved as Grace 1 of 2 May 2018.

Faculty membership criterion[13]

Initially received as an amendment to Grace 1 of 18 April 2018, this proposal sought the removal of the Faculty membership criterion from the provisions governing membership of the Regent House.[14] The Vice-Chancellor ruled the amendment immaterial to the main purpose of the Grace[15] and referred the amendment to the Council, which determined that the amendment should be submitted as a separate Grace (Grace 1 of 27 June 2018) and a ballot held. Subsequently, the Council received a proposed amendment to Grace 1 of 27 June 2018 and agreed that the amendment should be included as an option in the ballot.

[8] *Reporter*, 6504, 2017–18, p. 535.

[9] *Reporter*, 6469, 2016–17, p. 587; 2017–18; 6494, pp. 379 and 386; 6496, p. 396; 6501, p. 473; 2018–19, 6519, p. 3.

[10] *Reporter*, 2017–18; 6487, p. 156; 6494, pp. 380 and 386.

[11] *Reporter*, 2017–18; 6493, p. 356; 6500, p. 457; 6505, p. 563.

[12] *Reporter*, 2017–18; 6497, p. 413; 6504, pp. 535, 539, and 540; 6509, pp. 663 and 681.

[13] *Reporter*, 2017–18; 6504, p. 534; 6512, p. 728; 6514, p. 798; 6516, p. 840.

[14] The Grace reads as follows: "That, with effect from the promulgation of the Roll of the Regent House on 6 November 2019, in the Ordinance on membership of the Regent House under Statute A III 11(e) (*Statutes and Ordinances*, p. 104), the text 'provided that no person shall qualify for membership in categories (i), (iii), or (iv) unless he or she is also a member of a Faculty, or holds an appointment listed in those categories in a Department or other University institution which is independent of a Faculty' be deleted."

[15] The main purpose of Grace 1 of 18 April 2018 was to add the holders of the appointments of Director of Research and Principal Research Associate to the membership of the Regent House, whereas the purpose of the proposal put forward by the amendment was to remove the Faculty membership requirement from the criteria for Regent House membership for those in certain membership classes.

Both that ballot and a ballot on Grace 1 of 18 April 2018 were held in the Michaelmas Term 2018. Both Graces were approved, Grace 1 of 27 June 2018 as amended.[16]

Ballots and topics of concern

Discussions of topics of concern on Hobsons' Brook,[17] the standard of *proof applied in student disciplinary* cases,[18] and on Grace 3 of 10 May 2018 (proposed University nursery building on Harrison Drive)[19] were held during 2017–18. A ballot was requested on Grace 3 of 10 May 2018 and the Grace was approved in the resulting vote (777 in favour, 151 against).

Changes in the University's senior leadership

Professor Duncan Maskell, *W*, stepped down as Senior Pro-Vice-Chancellor on 30 June 2018 and as Pro-Vice-Chancellor (Planning and Resources) on 31 July 2018. The Council thanks him for his distinguished service to the University and wishes him well in his new role as Vice-Chancellor of the University of Melbourne. Professor Graham Virgo, *DOW*, Pro-Vice-Chancellor (Education), was appointed as Senior Pro-Vice-Chancellor from 1 July 2018 until 30 September 2020.[20] Professor David Cardwell, *F*, commenced his three-year period of office as Pro-Vice-Chancellor (Strategy and Planning) on 1 August 2018.[21]

The Council noted the following appointments to senior positions in the University in 2017–18: Dr Rachel Coupe as Interim Academic Secretary; Mr David Hughes, *W*, as Director of Finance; Ms Karen Kennedy, *CLH*, as Director of Strategic Partnerships; Professor Ian Leslie, *CHR*, as Director of Information Services; Mr Saul Nassé as Group Chief Executive of Cambridge Assessment; and Dr Regina Sachers, *CTH*, as Head of the Registrary's Office.

It also thanks the following for their service: Dr Kirsty Allen, *W*, Mr Andrew Reid, *W*, and Mr Simon Lebus, *EM*.

19 November 2018

Stephen Toope, *Vice-Chancellor*
Richard Anthony
R. Charles
Stephen J. Cowley
Anthony Freeling
David Greenaway
Jennifer Hirst
Nicholas Holmes
Fiona Karet
Mark Lewisohn
Jeremy Morris
Michael Proctor
John Shakeshaft
Susan Smith
Sara Weller
Mark Wormald
Jocelyn Wyburd

Note of Dissent

We are unable to support the Annual Report of the Council to the Regent House. Council members are entitled under Standing Order 11(ii) to see all papers of subsidiary committees. We cannot properly discharge our duty as trustees of the University if we are arbitrarily and persistently denied access to such documents, in particular, to those of the Investment Board.

Following the disclosure in the Paradise Papers that the Cambridge University Endowment Fund had invested in Shell via an offshore company – contrary to what Council members had been led to believe about energy investments – one of us (Professor Anderson) demanded access to the Investment Board's papers. This access has been denied, as Professor Anderson reported to the Regent House on 23 January 2018 in the Discussion of last year's Report (*Reporter*, 6489, 2017–18, p. 197).

Professor Dame Athene Donald's Divestment Working Group, reporting earlier this year, subsequently remarked on the opacity of the Investment Office and recommended that transparency be improved (pp. 13–14 and Recommendation 6). Council members have since demanded access to Investment Board papers on more than one occasion; this has either been denied with various excuses, or access has been promised and not delivered. We accept that there are some circumstances where investment decisions cannot be made public – such as venture capital investments in startups that are still in stealth mode. However that is no argument for preventing us as trustees from seeing the Board papers in confidence, as is normal with the papers of all other committees that report to Council.

20 November 2018

Ross Anderson
Evie Aspinall
Nicholas Gay
Marcel Llavero Pasquina
Sofia Ropek-Hewson

[16] *Reporter*, 6524, 2018–19, p. 94.
[17] *Reporter*, 2017–18; 6494, p. 378; 6497, p. 429; 6516, p. 839.
[18] *Reporter*, 2017–18; 6496, p. 396; 6497, p. 413; 6507, p. 595; 6509, p. 663.
[19] *Reporter*, 2017–18; 6511, pp. 707 and 712; 6513, p. 770.
[20] *Reporter*, 6511, 2017–18, p. 702.
[21] *Reporter*, 6503, 2017–18, p. 529.

Council membership, 2017–18
Council members (other than *ex officio* and student members) serve for four years from 1 January in two cohorts; the text formatting reflects those cohorts. Student members of the Council serve for one year from 1 July.

The Chancellor and the Vice-Chancellor

Elected as Heads of Colleges
Mr Stuart Laing, *CC* (until 31 December 2017)
Professor Susan Smith, *G*
The Reverend Dr Jeremy Morris, *TH* (from 1 January 2018)
Dr Anthony Freeling, HH
Professor Michael Proctor, K

Elected as Professors or Readers
Professor Ross Anderson, *CHU*
Professor Susan Oosthuizen, *W*
Professor Nick Gay, CHR
Professor Fiona Karet, DAR

Elected as members of the Regent House
Dr Richard Anthony, *JE*
Dr Ruth Charles, *N*
Dr Nicholas Holmes, *T*
Dr Alice Hutchings
Dr Stephen Cowley, EM
Dr Jennifer Hirst, JE (from 2 March 2018)
Dr Pippa Rogerson, CAI (until 12 January 2018)
Dr Mark Wormald, PEM
Ms Jocelyn Wyburd, CL

External members
Mr Mark Lewisohn, *CHR*
Mr John Shakeshaft, *T*
Professor Sir David Greenaway (from 1 October 2017)
Ms Sara Weller

Student members
Ms Daisy Eyre, *JE* (until 30 June 2018)
Ms Darshana Joshi, *HH* (until 30 June 2018)
Ms Umang Khandelwal, *N* (until 30 June 2018)
Ms Evie Aspinall, *PEM* (from 1 July 2018)
Ms Sofia Ropek-Hewson, *PEM* (from 1 July 2018)
Mr Marcel Llavero Pasquina, *G* (from 1 July 2018)

Annex B

Statement of Primary Responsibilities

The Council has adopted this Statement of Primary Responsibilities.

The principal responsibilities of the Council are defined by University Statute A IV 1 which reads:

(a) *The Council shall be the principal executive and policy-making body of the University. The Council shall have general responsibility for the administration of the University, for the planning of its work, and for the management of its resources; it shall have power to take such action as is necessary for it to discharge these responsibilities. It shall also perform such other executive and administrative duties as may be delegated to it by the Regent House or assigned to it by Statute or Ordinance.*

(b) *The Council shall have the right of reporting to the University. It shall advise the Regent House on matters of general concern to the University.*

(c) *The Council shall make an Annual Report to the University, and shall initiate and submit a Grace for the approval of the Report by the Regent House.*

(d) *The Council shall have the power of submitting Graces to the Regent House and to the Senate. The procedure for the submission of Graces shall be prescribed by Special Ordinance.*

(e) *The Council shall oversee the work of all those institutions in the University which are placed under its supervision, and shall ensure that the University officers assigned to those institutions are satisfactorily performing the duties and fulfilling the conditions of tenure of their offices.*

Moreover, the Council shall perform such duties in connection with financial matters as are assigned to it by Statute F I.

Pursuant to these responsibilities the Council:

- through its Finance Committee, its Audit Committee, and the Planning and Resources Committee, ensures the University's accountability for the proper use of public funds;
- supervises the financial position of the University through its statutory Finance Committee;
- oversees the investment management of the Cambridge University Endowment Fund through its Investment Board;
- arranges audit through its statutory Audit Committee;
- conducts legal business and ethical scrutiny, especially in respect of the acceptance of benefactions and investment responsibility, through its Committee on Benefactions and External and Legal Affairs;
- discharges its responsibilities in relation to the University as an employer through the Human Resources Committee (HRC), a joint Committee with the General Board;
- develops University policy on the advice of the General Board and that of specialist advisory bodies;
- conducts planning and resource allocation through the Planning and Resources Committee (PRC) and the Resource Management Committee (RMC), both joint Committees with the General Board;
- deals with business about buildings and the University estate with the advice of the Buildings Committee (a joint Committee which reports through the PRC), and on the advice of the Finance Committee;
- informs and advises the Regent House through Reports, Notices, and Graces, and through considering remarks made at Discussions;
- conducts the University's relations with government, regulatory bodies (including the Office for Students and UK Research and Innovation), other national bodies, and local and regional bodies, responding on behalf of the University to consultations and other matters as required under UK legislation;
- supports and advises the Vice-Chancellor and, either through her or him or directly, the Pro-Vice-Chancellors;
- supervises University institutions placed under its supervision, particularly through receiving reports, and also through the PRC and the HRC;
- through the Finance Committee and the Press and Assessment Board exercises financial and some other supervision of Cambridge University Press, the Local Examinations Syndicate (Cambridge Assessment), University-owned companies, and some free-standing bodies such as the Cambridge scholarship trusts;
- pursuant to Act of Parliament, discharges responsibilities for the University Student Unions through its Council Committee for the Supervision of the Student Unions;
- makes (or recommends) senior appointments (including the Vice-Chancellor, Pro-Vice-Chancellors, the Registrary and, through its Standing Appointments Committee established by Ordinance, Directors and other senior staff in the Unified Administrative Service);
- monitors risk management, emergency management, and value for money surveillance;
- monitors the implementation

of major projects, through special groups and the Information Services Committee, and the West and North West Cambridge Estates Board;

- through the work of the Information Services Committee, monitors the provision of IT infrastructure and support;
- oversees strategy concerning the postdoc community through its Postdoctoral Matters Committee, a joint committee with the General Board;
- keeps University governance and similar matters under review;
- makes a statutory annual report to the University;
- monitors its own performance and effectiveness.

The Council has published the following statement (*Statutes and Ordinances*, p. 112):

NOTICE BY THE COUNCIL

Statement of intention

In carrying out their functions as the principal executive and policy-making body of the University the Council will consult the Regent House on questions of policy which in the Council's judgement are likely to prove controversial. They will do this by submitting a Grace to the Regent House for the approval of a provisional decision or statement of intention; where appropriate, such a Grace will allow for the expression of a preference between alternative options. The Council will give consideration to remarks made at any Discussion of such matters and to the outcome of any vote on them.

Annual Report of the General Board to the Council for the academic year 2017–18

1. Introduction

The General Board presents this Annual Report on its work for the academic year 2017–18. The Board draws particular attention to the following major activities that have engaged the Board and its Committees during the year:

Higher education landscape

- Office for Students registration;
- Teaching Excellence Framework;

Education

- Education Committee terms of reference;
- Public display of class-lists;
- Learning and teaching;
- Learning and Teaching Reviews;
- Establishment of new degrees and courses;
- Overall degree classification;
- Widening access and participation;
- Student wellbeing and experience;
- Student conduct and complaints;
- Additional course costs for postgraduate study;
- Education Strategy;

Research

- Research income and landscape;
- Strategic Research Reviews;
- Strategic research initiatives and networks;
- Preparations for the Research Excellence Framework 2021;

External and international engagement

- International strategy;
- Strategic Partnerships Office;

Human Resources

- People Strategy;
- Academic staff recruitment;
- Mandatory gender pay gap reporting;
- Equality and Diversity;
- Staff wellbeing;
- Postdoctoral affairs;

Health and Safety

- Updates on the Occupational Health Service, Staff Counselling Service, and Safety Office.

2. The higher education landscape

(i) Registration with the Office for Students

Fundamental changes to the regulation of the Higher Education sector have been realized in accordance with the Higher Education and Research Act 2017. The Office for Students (OfS) has been operational since 1 April 2018 and will assume its new regulatory functions in full from 1 August 2019. Until then, a transitional period is underway. All providers wishing to access student support and public funding from 1 August 2019 must register with the OfS in 2018–19. As part of the requirements for registration with the OfS, the General Board, through its Education Committee, approved the Access and Participation Plan; the self-assessment on compliance with consumer protection law; and the Student Protection Plan. The OfS confirmed the University's registration for the 2018–19 academic year in July 2018.

The review process for compliance with consumer protection law identified a number of areas of potential risk, and further work is underway to review procedures and minimize risk. Guidance will be produced for Faculties and Departments and attention will be drawn to the financial penalties that might be incurred as a result of failing to comply with consumer law.

(ii) Teaching Excellence Framework

The OfS is responsible for the Teaching Excellence and Student Outcomes Framework (TEF). Participation in the TEF will be a condition of registration with the OfS. The General Board anticipate that the University will participate in the 2019–20 exercise as the current Gold rating, awarded in 2017, will expire in 2020.

An independent review of the TEF is taking place during the 2018–19 academic year and will inform the assessment framework for 2019–20. The framework is expected to include a subject-level TEF and the University was one of 50 institutions[1] selected by HEFCE to participate in a subject-level TEF pilot in 2017–18. Six subjects whose metrics fell below the University's Gold standard were selected, with a further three, which were rated as Gold, chosen as benchmarks to test the impact of their methodology. As part of the pilot, additional teaching intensity measures were tested. This involved production of a provider declaration of contact hours and a student survey on student perception of contact hours. The University continues to engage with the OfS on the development of subject-level TEF, and to express concern about the use of National Student Survey data and other measures and subject groupings.

(iii) Other national consultations

The University submitted responses to the Quality Assurance Agency for Higher Education's (QAA) consultation on the review of the UK Quality Code for Higher Education. The University also submitted a detailed response to the government's *Review of Post-18 Education and Funding.*[2]

[1] Six Russell Group providers were represented in the overall 50.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/682348/Post_18_review_-_ToR.pdf.

3. Education and the learning environment

(i) Education Committee terms of reference

During the Easter Term 2018, the University approved changes to the governance arrangements for examinations and assessment. Responsibility for examination access arrangements and consideration of mitigating circumstances will now fall under the oversight of the Board. These responsibilities will be exercized by the Education Committee and a new Examinations and Assessment Sub-committee that was established on 1 October 2018.

In July 2018, the Board approved revised terms of reference for the Education Committee to reflect its broader role in the oversight of student affairs.

Following the Council's review of the Careers Service, a new Careers Committee met for the first time in the Easter Term 2018. This has been established as a joint Committee of the General Board and the Council given the broad role of the Service in supporting students, postdoctoral workers, and alumni.

(ii) Public display of class-lists

In May 2018, the Board approved a scheme to allow students to opt out from the publication of their names in the class-lists published outside or read inside the Senate-House and also in the class-lists reproduced in the Reporter in print and online. The scheme was prompted by changes to data protection legislation arising from the introduction of the General Data Protection Regulation (GDPR).

The new scheme was implemented for the main 2018 examination period. Over a third of enrolled students opted out of having their name included on the published class-lists. For most Triposes the proportion of exclusions from first-year students was higher than those in years two, three, or four. Of the 156 class-lists to be posted in the Easter Term 2018 only six were complete with no students opting out.

The Board's Education Committee will consider more detailed data on the number of students opting out of class-lists when this information becomes available in the Michaelmas Term 2018. This will determine what further action, if any, should be recommended to the General Board and the Council.

(iii) Learning and teaching

In August 2018, the foundations for a sustainable staffing and operating model for the Cambridge Centre for Teaching and Learning (CCTL) were put in place, with the transfer of the former Academic Practice Group from the Human Resources Division to the Academic Division. This followed a two-year trial period to develop a work programme and pilot a range of activities for Faculty and Departmental Directors of Teaching and Senior Tutors. Constituting the CCTL within the Academic Division represents an important next step in aligning the work programme of CCTL with the University's strategic priorities for education.

The Board, through its Education Committee, agreed that the Computer Based Examinations pilot should run for a further year in 2018–19, and that the Lecture Capture Pilot should be deemed complete. A Project Board, chaired by the Senior Pro-Vice-Chancellor, has been established to implement lecture capture as a service across the University. A service model for wider lecture capture implementation has been agreed and the service delivery options will be explored during the Michaelmas Term 2018, with a final decision scheduled for March 2019. In the interim, lecture capture facilities will be installed in some central spaces during this academic year and will be available on a limited basis to any subject area teaching in those spaces.

(iv) Learning and Teaching Reviews

As part of the Board's rolling programme of Learning and Teaching Reviews, the following Faculties and Departments were reviewed in 2017–18: Asian and Middle Eastern Studies; Chemistry; Criminology; Earth Sciences; Mathematics; Pharmacology; Physics; and the Language Centre and Engineering Language Unit.

The Board, through its Education Committee, has approved a number of minor amendments to the procedure for Reviews for 2018–19 and the arrangements for appointment of reviewers, to improve the consistency of approach of review and to take account of other internal reviews as well as the review schedule of external bodies. The Committee will review the terms of reference for Learning and Teaching Reviews in 2018–19.

(v) Establishment of new degrees and courses

The Board agreed to establish ten new certificates/diplomas open to non-members of the University, including a new full-time International Pre-Master's diploma (the Advanced Diploma in Research Theory and Practice in English (Engineering or Business Management)) to be offered by the Institute of Continuing Education.

Two new M.Phil. courses, one in Heritage Studies and one in Therapeutic Science, an M.St. in Healthcare Data, and a new M.A.St. in Earth Sciences were also approved.

(vi) Overall degree classification

Following consultation with Faculty Boards and Colleges, the Board supported the establishment of a working group to develop detailed proposals for implementation of a scheme for overall classification of the B.A. (Hons) Degree. The Board, through its Education Committee, has endorsed proposals based on a standard scheme of degree classification with years one, two,

and three weighted 0:30:70, but with scope for individual Faculty Boards to make a case for alternative schemes to be adopted.

A draft Report will be prepared for approval by the Council and the General Board in 2018–19 for the implementation of a scheme of overall degree classification for the B.A. (Hons) Degree.

(vii) Widening access and participation

The University submitted its access and participation plan for 2019–20 to the OfS. This document, which replaced the access agreement with the Office for Fair Access, covers the following undergraduate admissions targets: a state sector target of 64%; a target of 13% for students from POLAR3[4] quintiles 1 and 2 (i.e. the 40% of postcodes which have the lowest participation rates in higher education); a target of 13.9% for students from Output Area Classification (OAC) 3a–c, 4a1–2, 4b, 4c2, 6b3, 7a–c, and 8; a target of 8.5% for students from Index of Multiple Deprivation (IMD) deciles 1, 2, and 3; a minimum commitment to offer 600 places on summer schools each year; a non-continuation target of 2.1%; and a commitment to launch long-term outreach programmes to engage and raise attainment in secondary schools within the region.

The University has continued to lead a consortium of local universities (Anglia Ruskin University, the University of East Anglia, the University of Suffolk, and Norwich University of the Arts). The Consortium has been successful in securing £9m of HEFCE funding over two years to deliver the National *Collaborative Outreach Programme* in East Anglia. This programme aims to increase the number of young people from disadvantaged backgrounds in higher education by 2020. So far the partner institutions have engaged with over 7,400 target students through almost 1,600 activities, and is performing strongly against OfS objectives.

(viii) Student wellbeing and experience

Student wellbeing has become a major issue for all universities, and the need for the sector to engage seriously and strategically with the topic has been highlighted in recent reports from HEFCE,[5] UUK,[6] and HEPI.[7] Additionally, there is growing recognition that students with clinically recognized levels of mental health difficulties are studying at university in larger numbers.[8]

The University has seen significant increases in the numbers of applications for exam access

[3] The other nine new courses are the Certificate in Film Studies; the Advanced Diploma in Research Theory and Practice; the Postgraduate Diploma in Medical Education; and Postgraduate Certificates in the following subjects: Teaching Creative Writing; Interdisciplinary Design for the Built Environment; Practical Science Communication; Advanced Clinical Practice; Biocuration; and Public Policy.

[4] https://www.officeforstudents.org.uk/data-and-analysis/polar-participation-of-local-areas/.

[5] http://www.hefce.ac.uk/pubs/rereports/year/2015/mh/.

[6] http://www.universitiesuk.ac.uk/news/Pages/New-framework-for-universities-to-help-improve-student-mental-health.aspx and http://www.universitiesuk.ac.uk/stepchange.

[7] http://www.hepi.ac.uk/wp-content/uploads/2016/09/STRICTLY-EMBARGOED-UNTIL-22-SEPT-Hepi-Report-88-FINAL.pdf.

[8] http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2015/student-mental-wellbeing-in-he.pdf.

arrangements, intermission, complaints, and appeals, and the Council's Applications Committee[9] reports that the number of exam allowances granted on the grounds of mental health, anxiety, and depression has more than doubled since 2013–14, rising from 192 to 473 in 2016–17. The Board of Examinations has also reported a doubling of the number of examination access arrangements made on the grounds of anxiety, depression, or other mental health difficulty from 132 in Easter Term 2014 to 274 in 2017. Colleges have also reported an increasing welfare caseload, and this trend has been mirrored in increased caseloads at the Disability Resource Centre (DRC) and the University Counselling Service (UCS).

The DRC has seen an increase in numbers of students declaring a mental health condition of 46%, rising from 1,890 to 2,750 between July 2015 and February 2018. This means that each disability adviser now has a caseload of 575 disabled students, and equates to 126 students with mental health difficulties per adviser. Each adviser supports at least 260 more disabled students than they did in July 2015. This increase follows a steady rise over the last ten years, with numbers of students declaring a mental health disability increasing in this period by over 1,650% (from 35 students to 620).

In the past four years, the UCS has experienced a 34% increase in the number of students applying for support from 1,565 in 2013–2014 to 2,095 in 2016–2017. During the Michaelmas Term 2017 the Service was busier than ever, with a 15.5% increase in applications from 959 in Michaelmas Term 2016 to 1,108 (not counting those who applied for College-based counselling). Postgraduate students are disproportionately represented amongst the Service's clients.

[9] The Applications Committee was in operation until 1 October 2018. Revised governance arrangements for examinations and assessment have since been introduced, following the approval of Grace 3 of 27 June 2018.

The collegiate University has acknowledged the growing need for student wellbeing provision and, in recognition of the significant increase in demand experienced by the DRC and UCS in recent years, has agreed funding for four additional posts within these services from October 2018 to support students experiencing mental health difficulties. However, there is also acknowledgment that increased need is unlikely to abate and therefore safeguarding the wellbeing of students requires greater focus on developing preventative strategies and action to institute wider cultural change in order to foster the long-term wellbeing of the Cambridge community. For this to be effective, a whole collegiate University approach needs to be taken that will involve students, academics, administrators, and support staff alike.

The Education Committee, therefore, is overseeing development of a Student Mental Health and Wellbeing Strategy to address concerns across the collegiate University and the sector with regard to increasing levels of poor mental health and wellbeing within the student body. The Strategy will set out a vision for a whole institution approach to creating an academic environment that enables all students to flourish. The Strategy proposes an action plan based on three key strands of work:

- A research study to collect qualitative and quantitative data to highlight the problem areas to be addressed and to support evaluation of future preventative and supportive interventions;
- A wellbeing campaign supported by facilitated discussion groups with staff and student members drawn from diverse backgrounds across the collegiate University;
- A deep-dive 'system analysis' of existing support provision across the collegiate University to explore interconnectivity, efficacy, and efficiency of support to inform future service improvement.

(ix) Student conduct and complaints

Industrial action led to the General Board approving a temporary additional ground to the Examination Review Procedure so that the University could consider whether the withdrawal of academic provision had an impact on students' academic results. Thirteen students requested a review of their examination results on this ground. So far none has been upheld; three requests remain ongoing.

General Board revisions to the University-wide statement on Plagiarism specifically include 'self-plagiarism'. From 1 October 2018, 'self-plagiarism' will be subject to disciplinary action alongside other forms of academic misconduct, including plagiarism and collusion, except where it is explicitly permitted by regulation.

Following the approval of the recommendations of last year's Joint Report on Procedures for Student Complaints and Reviews and Joint Report for the Procedure for Handling Cases of Student Harassment and Sexual Misconduct, the revised procedures have now been embedded through briefings and guidance. The revisions have resulted in a predicted increase in the number of cases. Further details will be reported to the General Board through annual reporting mechanisms. Informal reviews of the revised procedures have been conducted and this has led to the General Board approving further amendments to the newly named Procedure for Student Harassment and Sexual Misconduct, including the removal of a three-month timeframe for reporting harassment and sexual misconduct.

Investigation of reports of sexual misconduct will also move (cost-neutrally) from being investigated by an external provider to an internal specialist investigator; recruitment for the role will take place in Michaelmas Term 2018. The General Board and the Council approved a Joint Report on revisions to Special Ordinance D (v) concerning precautionary action to include the option of assessment by an external specialist when assessing the risk that a student may pose during a criminal, University, or College investigation. The recommendations of that Joint Report were approved by Grace 2 of 17 October 2018.

The collaborative project, match-funded by HEFCE, regarding student-facing support and prevention of sexual misconduct has taken place and been evaluated. The outputs of the project were positive and the evaluation has led to a number of recommendations for improvement in the next academic year. There has also been a review of the anonymous reporting mechanism, which has seen over 300 reports of harassment and sexual misconduct since May 2017. A number of minor revisions have been made to the tool during the year in light of GDPR and to ensure that it is also appropriate for reports of harassment and discrimination other than sexual misconduct.

(x) Additional course costs for postgraduate study

The Board's Education Committee is consulting Schools on options for managing the additional course costs associated with postgraduate study. The Committee is particularly interested to explore the funding arrangements for mandatory project-related or programme costs. Options may include introducing a new fee band or bands that will raise additional resource to defray these course costs and enhance the funding packages available to students.

(xi) Surveys

(a) Graduate Outcomes Survey and Longitudinal Educational Outcomes

The Education Committee continues to monitor the employment of Cambridge graduates. The Destination of Leavers from Higher Education (DLHE) survey has been replaced by the Graduate Outcomes Survey. Unlike the DLHE, which was run locally, the new survey will be centrally managed by HESA. Under the new Graduate Outcomes Survey, students would be contacted fifteen months after leaving Cambridge, much later than under the DLHE. The Graduate Outcomes Survey, as well as the Longitudinal Educational Outcomes (LEO), will be included in the metrics used by TEF.

(b) National Student Survey 2018

As in 2017, the 2018 National Student Survey (NSS) response rate was impacted by CUSU's boycott of the survey. As a result, incomplete data have been published on the Unistats website. It is still unclear what the impact of incomplete NSS data will be on future iterations of the TEF.

The Student Barometer Survey took place in the Michaelmas Term 2017. Overall satisfaction ratings for postgraduate taught and postgraduate research students compared favourably with Postgraduate Taught Experience Survey and Postgraduate Research Experience Survey findings in previous years. Results have been made available to Faculties and Departments, and to Colleges. From 2018, NSS and Student Barometer data will be made available to members of the University through a new information hub managed by the Business Information Team in the Finance Division.[10] The hub will include examinations statistics as well as data on student numbers.

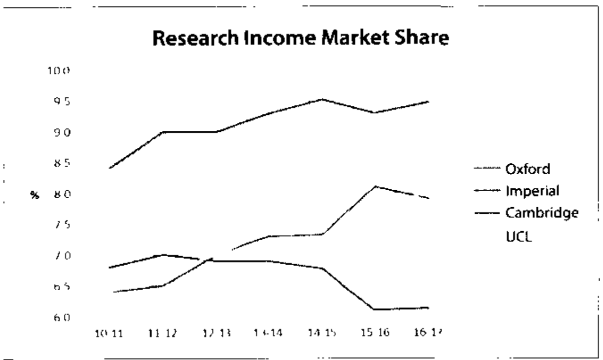
(xii) Education Strategy

The Pro-Vice-Chancellor for Education, working through the Board's Education Committee, is developing an Education Strategy to reflect the collegiate University's values and priorities for education, both as a statement to the wider public audience and as a reference point for internal discussions and activity. The Education Strategy will identify strategic objectives and include an action plan. It will draw together emerging strategies for the Cambridge Centre for Teaching and Learning, digital education, education space, examinations and assessment, continuing education, health and wellbeing, support for disabled students, sports/library provision, and careers and employability. An initial draft will be presented to the Education Committee in the Michaelmas Term 2018.

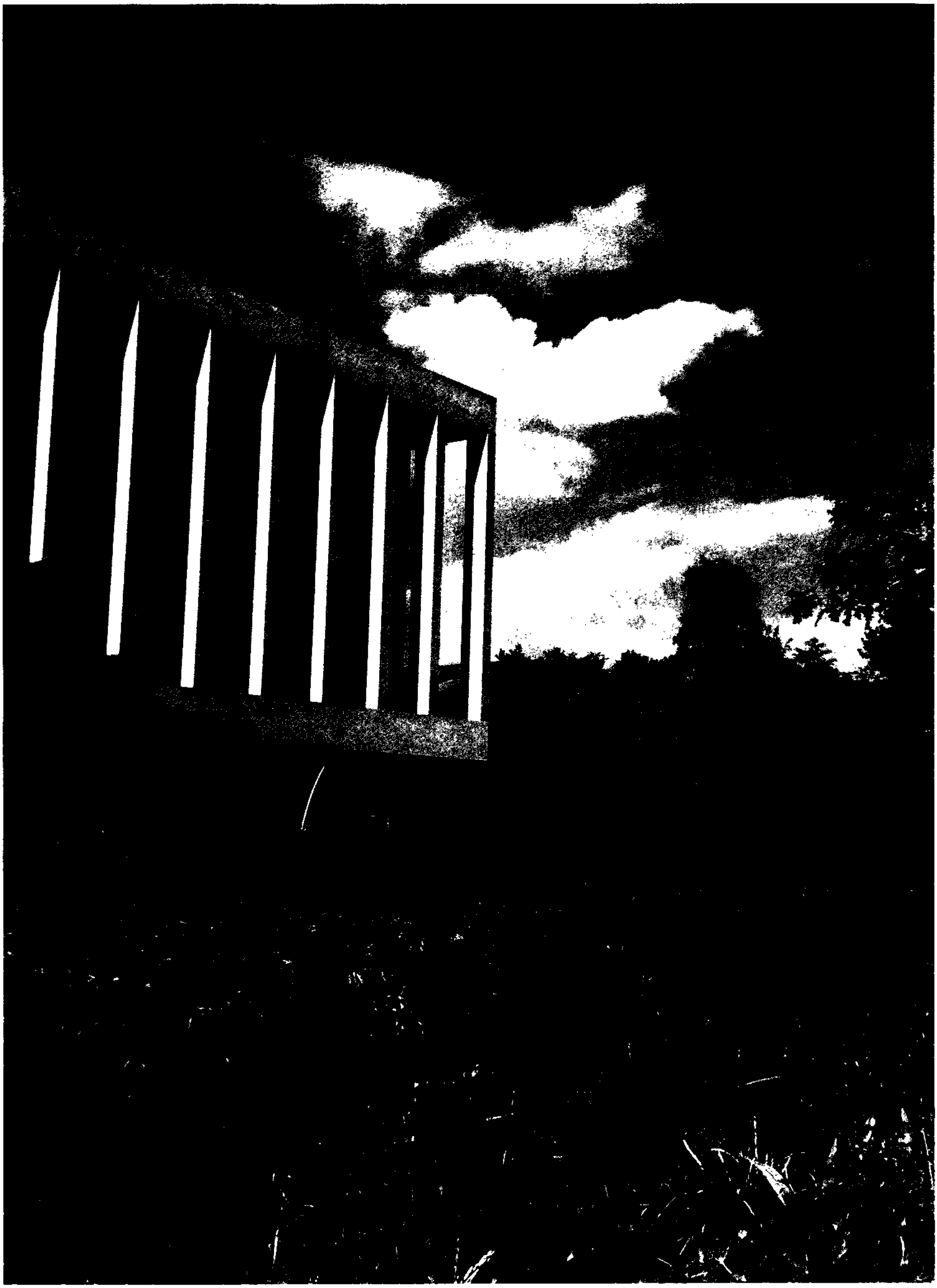
4. Research

(i) Research income

The University has improved its performance in research income in 2017–18, with income at record levels in excess of £520 million. While the research funding environment



[10] The Business Information Team is part of Academic and Financial Planning and Analysis.



continued to be highly competitive, the University maintained its strong performance in winning research funding from UK, EU, and international sources. The change to accounting rules due to FRS102 produced anomalous results for 2015–16 and a spike in income. However, the general trajectory demonstrates that Cambridge continues to improve compared to its peers. It should be noted that some of the University's recent growth is due to acquisition but otherwise Cambridge has enjoyed modest increases in funding from the Research Councils and charities.

(ii) Research landscape and partnerships

There have been a number of significant developments in UK research funding including the launch of UK Research and Innovation (UKRI) in April 2018. UKRI has overseen the continuing trend of major research programmes including the establishment of national research institutes, the University's most recent successes including the Cambridge hub of Health Data Research UK led by the Sanger Institute and in collaboration with EBI, and a major award from the Faraday Institute for research in battery technology. The year has seen renewal of the MRC Metabolic Disease, Epidemiology, and Biostatistics Units, the legal transfer into the University of the Toxicology Unit,[11] and the renewal of the core funding of the Isaac Newton Institute for Mathematical Sciences. Major awards have also been received in the international development sphere including major grants under the UKRI global challenges research funding in food security and public health, while the Sainsbury Laboratory has received a major award from the Bill and Melinda Gates Foundation in plant sciences. The University has also received strategic funding from Innovate UK to act as the hub for the Digital Built Britain programme.

(iii) Strategic research reviews

The Board can report good progress on the delivery of the programme of Strategic Research Reviews. A total of fourteen reviews were undertaken in 2017–18.[12] The programme of reviews has now been completed in two Schools (Arts and Humanities and the Physical Sciences) and the remaining reviews are scheduled to be completed in Lent Term 2018–19. A number of common themes are emerging from the Reviews held to date including strategic planning of research, the challenges for Faculties and Departments to manage demographic pressures and change, and some concern that while the quality of research at Cambridge is high there are emerging risks regarding the longer-term sustainability of research at the University. The Board will receive a report summarizing the overarching conclusions of the review programme in Easter Term 2018–19.

(iv) Strategic research initiatives and networks

The University's programme of Strategic Research Initiatives (SRIs) and Networks has continued to provide a key focus to build critical mass in multidisciplinary research expertise from across the Schools. The Research Policy Committee (RPC) is continuing to support the transition of successful SRIs to University Interdisciplinary Research Centres, and RPC has approved the establishment of a new SRI in Reproduction from 2018–19. The University's SRI Programme has recently been highlighted as an example of best practice in a Wellcome Trust report[13] on the use of Research England Quality Research funding.

(v) Preparations for the Research Excellence Framework 2021

The Board has continued to oversee preparations for the University's submission to the Research Excellence Framework (REF) 2021. Significant developments include the appointment of the Chairs of all of the local Unit of Assessment (UoA) Committees, the identification of a group of eight experienced senior staff as Academic Leads to support the work of the UoA Chairs, and the appointment of professional and administrative support staff to facilitate the REF submission within the central REF Office and at School level. The University has also participated in the sector-wide consultation with Research England on the procedures for REF2021 including, for example, consideration of public engagement with research in impact case studies. The University held its first internal Public Engagement Conference to provide an opportunity for public engagement specialist staff to network with colleagues across Cambridge. The Conference had external speakers from Research England and the National Centre for Coordination of Public Engagement and was attended by over 80 staff.

(vi) Research integrity

The Board has overseen the ongoing process of implementation of revised policies and procedures that are required to ensure full compliance with the requirements of HEFCE and other funding agencies. The Board has also participated in the recent House of Commons Select Committee enquiry into research integrity. In

[11] Physical relocation of the Unit from Leicester is anticipated in 2020.

[12] SSRs considered by the Board in 2017–18 included Paediatrics, Area and Development Studies, Judge Business School, POLIS, Divinity, History, Chemical Engineering and Biotechnology, Modern and Medieval Languages and Linguistics (including Anglo-Saxon, Norse, and Celtic), Philosophy, Architecture, Materials Science, Law and Criminology, Classics, and Institute of Astronomy.

[13] https://wellcome.ac.uk/sites/default/files/empowering-uk-universities-how-strategic-institutional-support-helps-research-thrive.pdf.

accordance with the requirements of the Research Integrity Concordat, the University has published its fourth Annual Statement on Research Integrity.[14]

5. External and international engagement

(i) The Strategic Partnerships Office

The University has established the new Strategic Partnerships Office (SPO) and appointed a new Director to lead the office. The Office aims to enable greater coordination of the University's key international and corporate partnerships, enhancing the visibility of these partnerships and supporting their ongoing development and management.

(ii) International strategy

The existing framework for the University's international engagement has been reviewed by the International Strategy Committee (ISC) and consideration given to the emerging challenges and opportunities facing the University in the international sphere. It was decided that the SPO would help develop a new international strategy for consideration by the ISC and the General Board in 2018–19. This will be developed by the SPO with direction from the Vice-Chancellor, the Pro-Vice-Chancellors, and the Heads of School.

At the request of the Vice-Chancellor, a working group chaired by the Senior Pro-Vice-Chancellor was formed in November 2017 to consider the University's strategic response to the potential outcomes of the Brexit negotiations. A report was produced and considered by the Council in June 2018. The Collegiate Cambridge Brexit Strategy Group chaired by the Pro-Vice-Chancellor for Institutional and International Relations has been established to take forward the recommendations. The EU Working Group, chaired by the Pro-Vice-Chancellor for Research, continues to focus on Brexit-related operational matters.

Specific developments of note during 2017–18 were as follows:

***Europe*:**

The University of Cambridge and Ludwig-Maximilians-Universität München (LMU) announced plans for a strategic partnership between the two institutions in May 2018. The purpose of the partnership is to build on existing collaborations in Munich and Germany and provide focus and profile to the University's work in the country; to develop a strong ally in Europe as Brexit approaches; to stimulate innovation in teaching and research; and to enhance the mobility of students and staff. Each institution will provide up to €200,000 per year over five years (2019–2023) and may prolong this commitment by mutual agreement.

MaxCam:

The Max Planck-Cambridge Centre of Ethics, Economy and Social Change was launched in March 2018 at the Museum of Archaeology and Anthropology. The Centre will pursue ethnographic research in fields of urgent concern to humanity today.

CamPo:

CamPo is a new seed-funding scheme to encourage collaboration between the University and Sciences Po, the leading social sciences institution in France. Launched in Paris in November 2017, its first call opened in Easter Term 2018, and will provide funding to seven projects.

India:

The TIGR2ESS research programme (Transforming India's Green Revolution by Research and Empowerment for Sustainable Food Supplies) was launched in New Delhi in February 2018, in the presence of the Vice-Chancellor and Professor Ashutosh Sharma, then Secretary of the Department of Biotechnology, Government of India. The programme brings together 26 partner institutions in the UK and India to define the requirements for a second Green Revolution in India, set the necessary policy agenda, and develop a collaborative research programme focused on sustainable crop production and sustainable resource use.

***Africa*:**

The Africa Strategy Working Group, established in the Michaelmas Term 2017 at the behest of the Pro-Vice-Chancellor for Institutional and International Relations, performed an extensive consultation of internal and external stakeholders to consider the University's current and future engagement with African partners. The Working Group completed its work in July 2018, and submitted its recommendations to the Pro-Vice-Chancellor for Institutional and International Relations for consideration by the relevant committees.

China:

In March 2018, the Vice-Chancellor signed an agreement for a strategic partnership with the Nanjing Municipal Government. The creation of the Cambridge University-Nanjing Centre of Technology and Innovation will entail the establishment of a joint research centre and the sharing of revenue derived from the commercialization of intellectual property. Funded by Nanjing Municipality for five years in the first instance, the project will have its own dedicated building in Nanjing's Jiangbei New Area. The project has been driven by Cambridge's Department of Engineering, although it is hoped that there will be opportunities to widen participation to other Departments and Schools.

[14] https://www.research-integrity.admin.cam.ac.uk/research-integrity/research-integrity-statement.

(iii) International networks

The University of Cambridge has been an active member of a number of valuable networks, including:

- A range of Russell Group Networks, such as the EU Advisory Group and International Forum
- The League of European Research Universities (LERU)
- The International Alliance of Research Universities (IARU)

These networks have provided a valuable source of information, useful fora for developing institutional relationships, and mechanisms for influencing UK, European, and international governmental bodies. This has been of particular value in the run-up to Brexit.

6. Human resources – academic staff

The General Board oversees Human Resource matters relating to academic staff through the Human Resources Committee, a joint Committee of the Council and the General Board.

(i) People Strategy

In 2017 the University launched the People Strategy, a clear statement about how the University values and treats its people and the culture it wishes to foster to achieve and sustain excellence in teaching, research, and administration. The first HR Division annual report was published in September 2017 alongside a work plan for 2017–18, consisting of fifteen strategic projects to support the People Strategy under the core themes of Recruitment, Talent Management, Reward, and Thriving and Inclusive Environment.

(ii) Academic staff recruitment

Following a review of academic appointments, new arrangements for academic recruitment have been introduced. These include the creation of Selection Committees in place of Appointments Committees to enable institutions to recruit to academic posts in a timely and flexible manner whilst ensuring academic standards are maintained. The arrangements also establish a set of Recruitment Key Principles representing good practice within the University and ensuring a positive experience for candidates. In support of these changes a new recruitment training programme was rolled out successfully during the Lent Term 2018.

(iii) Talent management – academic practice

In tandem with its work on teaching and learning, the Personal and Professional Development's Academic Practice Group further extended its portfolio of activities for postgraduate students and postdoctoral research staff under the banner of the Researcher Development Programme (RDP). Demand has continued to rise sharply: overall, there has been a 30% year-on-year increase in the number of face-to-face courses delivered by RDP, and a 254% increase in enrolments for the online learning suite.

Researcher development remains a collaborative, multidisciplinary endeavour across the collegiate University, largely directed and funded by the Researcher Development Executive. The endeavour encompasses, inter alia, postgraduate education teams in the Schools, the postdoc Careers Service, and the Office of Postdoctoral Affairs – to which the RDP team principally contributes its educational development expertise and operational support.

(iv) Mandatory gender pay reporting

In March 2018, the University reported its mandatory gender pay gap information. The overall mean gender pay gap for the University was 19.6% and the median 15%. To support the publication of the gender pay gap report, the University produced a companion website, Inclusive Cambridge (http://www.inclusivecambridge.admin.cam.ac.uk). The aim of the website is to provide all members of the University with practical information and resources to help embed practices designed to reduce the gap.

As a result of the mandatory gender pay reporting, a Gender Pay Operational Group was formed. This group has identified the following key actions:

- *Enhanced pay progression* schemes
  A working group has reviewed all aspects of the non-academic pay progression schemes and proposed changes based on participant feedback, analysis and input from Schools.
- *Professional career pathways and career development programme*
  Work is already well under way to develop an academic career pathways; however, a significant gap remains for professional staff where there is a much wider range of roles. The identification and promotion of structured professional career pathways will better support career progression at Cambridge, in particular for women where progression is under-represented.
- *Line manager education*
  Line managers have a vital role in tackling the gender pay gap and promoting gender equality. To support line managers in this task, a professional line management training programme is under development in consultation with institutions, with streams for both academic and professional roles.

(v) Equality and diversity

The Breaking the Silence prevention of sexual misconduct and harassment campaign was launched in October 2017. The campaign reached over 60,000 hits on Facebook and 40,000 on Twitter, local and national press, TV and radio coverage. Alongside a range of student-focused initiatives, this cultural change programme included a programme for staff.

Work is underway to develop the University's Race Equality Charter application, due in July 2019. The main issues revealed by University-wide data analysis relate to staff recruitment, representation, and career progression and culture.

The University submitted its application for an Athena SWAN silver award as planned and was given an extension of its present silver award for a year with an invitation to reapply in 2019. Direct support has also been provided to the Schools and institutions that have submitted Athena SWAN applications during 2017–18.

Cultural change events held in 2017–18 included the Annual Race Lecture and Black History Month, Holocaust Memorial Day, International Women's Day, the WiSETI Lecture, and Diversity Network events aimed at supporting the inclusion of University members.

(vi) Staff wellbeing

Wellbeing initiatives during 2017–18 specifically focused on the priority areas of mental health awareness and managing work demands. Initiatives delivered with the support of the Health and Wellbeing Operations Group included:

- Setting up a network of 90 trained institutional Wellbeing Advocates to provide a key local point of contact for staff, and to build mental health awareness and promote wellbeing;
- Launching the WellCAM website providing a range of information on training, events, and employee support;
- Taking over 1,200 bookings for the annual Festival of Wellbeing 2018, which ran successfully for two weeks from 25 June 2018.

(vii) Postdoctoral affairs

In 2017–18, the Office of Postdoctoral Affairs (OPdA) saw another substantial increase in its activities, significantly enhancing the opportunities for broader development and engagement for postdoctoral research staff. The opening of the new Postdoc Centre at Eddington, where just under 70% of residents so far are postdocs, provides a flagship facility for the postdoc community. The Postdoc Centres at Mill Lane and the Biomedical Campus continue to flourish and demonstrate the value of these facilities. Across all Centres 854 events were held.

Regular postdoc inductions continued to provide an important introduction to the support available for new staff with contributions from multiple services. The mentoring programme supported 66 mentees this year and is being developed to meet demand for mentors in industry. The Postdocs2Innovators programme, an international collaboration of HEIs and companies aimed at developing entrepreneurial mindset and awareness among researchers was cited as an example of an innovative initiative by the League of European Research Universities. OPdA has also focused this year on improving provision of and access to training specifically for postdocs provided by other University offices (Research Office, Public Engagement, Scholarly Communication, Cambridge Enterprise).

To complement this work and the provision of the Researcher Development Programme, the Cambridge Centre for Teaching and Learning, the Careers Service, and other services, OPdA developed its Fellowship model with a strong emphasis on leadership and entrepreneurship development and training. This provides structured support for outstanding researchers and future leaders to develop their skills and networks, and to optimize the opportunity of independent research.

OPdA continued to engage nationally to highlight the University's innovative approach to supporting postdoc staff, share good practice, and shape the wider policy landscape, notably this year in contributing to the review of the Concordat to Support the Career Development of Researchers.

7. Health, Safety, and Regulated Facilities

(i) Occupational Health and Safety Service

The Occupational Health and Safety Service (OHSS) is within the Division of Health, Safety, and Regulated Facilities and consists of the Safety Office (SO), Occupational Health Service (OHS), and the Staff Counselling Service (SCS). The OHSS continues to prioritize the provision of risk-focused support services, helping to ensure that the University's operations remain compliant while identifying areas for improvement by regular auditing, inspection, and review, with ongoing reporting to the Consultative Committee for Safety, the Health and Safety Executive Committee, and the Human Resources Committee.

(ii) Occupational Health Service

As reported in 2016–17, the Occupational Health Service has continued to experience an increase in the number of management and self-referrals of University staff requiring appointments (+8.5% for 2017–18). More frequently, referrals are due to more complex health issues that require additional work activity outside of the clinic schedule, e.g., liaising with Departments/HR and other medical and specialist providers. This referral activity, combined with appointments for statutory health surveillance associated with workplace hazards and an increased demand for training sessions, is having a significant impact on service delivery. This continues to present a challenge in relation to resources and the ability of the Service to provide more proactive services in relation to ill-health prevention training, interventions, and initiatives.

(iii) Staff Counselling Service

Demand for the Staff Counselling Service has increased 7% from the 2016–2017 academic year. The newly formed College Counselling Service, launched during the Lent Term 2018, accounted for an additional 4% based on a chargeable, cost recovery business model. Temporary locum staff have been appointed to meet this increase in demand. An application for additional resources to cover University staff requirements will be put forward in the next planning round.

There is a direct correlation between SCS staff numbers and waiting times. For the first half of the reporting year when staff resources were reduced, the waiting time for an Initial Consultation was 16 days, reducing in the second half of the year, when staffing levels were increased, to 8.7 days. Likewise, the waiting time for ongoing counselling sessions started the year on 63 days, falling to 49 days for the latter period. The SCS service provision expectation is a 52-day waiting time. A reduced waiting time is a priority of the Service, aimed at preventing staff from entering a phase of sickness absence or, where they are already absent, helping them to return to the workplace.

Of the 636 referrals during the year, 63 were 'Red Flagged' for clients with complex psychological needs; including those considered a 'danger to themselves or others', victims of domestic abuse, or those raising child protection concerns. This growing cohort proves particularly challenging as well as time-consuming for the Service.

In order further to manage the waiting times, the SCS has implemented two counselling groups, 'Wellbeing' and 'Stress and Anxiety Management'. These groups have proved popular and are well-attended. Counselling staff have also provided 9 training sessions through PPD on 'Managing Stress and Developing Strategies to build Personal Resilience'. These sessions are now being incorporated into the University's WellCAM initiative.[15]

Demand for both counselling and outreach work remains high. There is a growing awareness of the Staff Counselling Service following the staff mental health and WellCAM initiatives, and a continuing depletion of external resources through the NHS and voluntary organizations, leading people to seek support from their employer for mental health issues previously covered by NHS services. This is likely to continue for the foreseeable future. However, the SCS is clear that it is not a primary care provider for mental health issues and sign-posts accordingly.

(iv) The Safety Office

The Safety Office continued to monitor and manage health and safety compliance across all sectors of the University via its auditing and inspection schedule, provision of professional advice, accident and incident monitoring, policy review and development, administration of the Health and Safety Committee structure, and a comprehensive training programme. The Office has recently undergone restructuring with the retirement of two senior members of staff. This has provided opportunities to progress current staff on their career path and to create new opportunities for involvement in auditing, and the development of procedures for risk assessment for travelling abroad – an area of risk management requiring significant additional resource in recent years. Following the introduction of new policies and procedures for staff and student study and research abroad, the SO provides advice, support, and training for individuals visiting areas that are 'high risk', using an external specialized travel risk company when required.

Contracts held by OHSS for specialized services, including hazardous waste disposal, were renewed on the basis of continued high quality service to Departments, assured compliance with statutory requirements, and value for money. This has more recently included contracts with specialized security advisers in support of the University Policy to Safeguard Students Studying and Working Away.[16] The Safety Office is to reinstate the provision of portable equipment electrical safety testing for non-scientific departments following the appointment of a replacement Electrical Safety Technician, following a period of this work being undertaken by an external contractor at increased cost. The provision of chargeable services to Colleges continues, although staff number reductions have required this to be limited in scope.

8. Planning and resource allocation

The General Board oversees planning and resource allocation matters through the Planning and Resources Committee, a joint Committee of the Council and the General Board. In order to reduce repetition between the two reports, further detail on the University's resources is provided in the Annual Report of the Council in 2017–18, and is submitted on behalf of the Council and the General Board (p. 184).

[15] https://www.wellbeing.admin.cam.ac.uk/home-0/wellbeing-information.

[16] The new policy was approved by the Education Committee and reported to the General Board in July 2017. A supporting safety guidance document, Working Away from Cambridge: Guidance on Safety Considerations for Business Trips, Conferences, Travel, Placements and Field Trips, was also published in 2017.

9. Other

(i) New Professorships

The Board proposed the establishment or re-establishment of the following senior positions, in some cases supported by generous benefactions or other external funds:

- Professorship of Media and Culture
- McDonald Professorship of Paleoproteomics
- Professorship of Magnetic Resonance Imaging
- Professorship of Child and Adolescent Psychiatry
- NHSBT Professorship of Donor Health
- MRC Professorship of Toxicology
- MRC Professorship of Cognitive Brain Sciences
- Genzyme Professorship of Experimental Medicine
- ARUK Professorship of Rheumatology
- DeepMind Professorship of Machine Learning
- Health Foundation Professorship of Healthcare Improvement Studies
- Professorship of Theoretical Physics
- RAND Professorship of Health Services Research

31 October 2018

Stephen Toope, *Vice-Chancellor*
Philip Allmendinger
Abigail Fowden
A. L. Greer
Nicholas Holmes
Matthew Kite
Patrick Maxwell
Martin Millett
Richard Prager
Richard Rex
Sofia Ropek-Hewson
Helen Thompson
Graham Virgo
Mark Wormald

Financial review

Scope of the financial statements

The consolidated financial statements provide an overview of the finances and operations of the University Group (the 'Group') covering:

- the teaching and research activities of the University and its subsidiary companies that undertake activities which, for legal or commercial reasons, are more appropriately carried out by limited companies
- Cambridge Assessment (CA) and its subsidiary undertakings (including associates and joint ventures)
- Cambridge University Press (CUP) and its subsidiary companies and joint ventures, and
- Gates Cambridge Trust and certain other Trusts (the 'Associated Trusts').

It should be read in conjunction with the Annual Report of the Council and the Annual Report of the General Board to the Council for the academic year 2017-18, which are published alongside these financial statements. References to the University reflect the teaching and research activities of the University (excluding subsidiary companies and Associated Trusts), together with CA and CUP (but excluding their subsidiary companies, joint ventures and associates). References to the Group reflect the teaching and research activities of the University together with CA and CUP including all subsidiary companies, Associated Trusts, joint ventures and associates.

The financial position of the core teaching and research activities of the University (the 'Academic University') may be seen more clearly in the Financial Management Information published in the Cambridge University Reporter. Further detailed information about the finances and operations of CA and CUP is given in the published annual reports of those entities. CA and CUP are constituent parts of the corporation known as the Chancellor, Masters and Scholars of the University of Cambridge. CA's primary work is the conduct and administration of examinations in schools and for persons who are not members of the University. CUP is the University's publishing house, dedicated to publishing for the advancement of learning, knowledge and research worldwide. The Associated Trusts are separately constituted charities. They are deemed to be subsidiary undertakings of the University since the University appoints the majority of the trustees for each Trust. The purpose of these Trusts is to support the University by enabling persons from both within and outside the United Kingdom to benefit from education at the University through the provision of scholarships and grants.

"We aim to maintain our position among the world's best and most influential Universities, using our strengths in research, teaching and learning to maximise our overall impact in the world. The financial strategy of the University is therefore not to maximise revenues and profits, but rather to support the maximisation of positive impact over time. Nevertheless, 'impact maximisation' involves: generating a sufficient recurrent financial surplus to invest — in our people, our infrastructure, our buildings and our systems — to remain one of the world's leading universities; allocating unrestricted income to reflect the University's strategic priorities and commitments; and managing financial risks and uncertainties that could otherwise undermine our effectiveness in the delivery of our mission."

Anthony Odgers
Chief Financial Officer

Our key strengths

1 Strong market position
- Cambridge University is a Global leader in education and research
- The University's reputation attracts top-quality students, faculty and growing funds for research

2 Diversified revenue resources
- Diversified revenues mitigate vulnerability to adverse economic conditions
- Lower reliance on Government resources than its UK peers
- Further growth potential from philanthropy, tuition fees and industrial research

3 Robust balance sheet
- A strong balance sheet, with significant cash investments
- At 31 July 2018, the Cambridge University Endowment Fund was valued at £3.253bn
- Substantial investment in income-generating projects

4 The Cambridge Phenomenon
- The University of Cambridge is at the heart of Europe's most successful innovation cluster

Financial results for the year

The results for the Group for the year ended 31 July 2018 are summarised in Table 1:

Table 1

	2017-18 £m	2016-17 £m	Change %
Income	**1,965**	**1,870**	**+5%**
Expenditure	**(1,911)**	**(1,807)**	**+6%**
Surplus before other gains and losses	**54**	**63**	(14)%
Gain on investments	219	407	
Taxation	(3)	(4)	
Surplus for the year	**270**	**466**	(42)%
Actuarial gain	122	26	
Profit on acquisition of Foundation	2	-	
Loss on foreign currency translation	(3)	-	
Total comprehensive income for the year	**391**	**492**	(21)%

The **Group's financial position remains strong** but, at a time of rising costs and declining public investment, careful control of costs, improving efficiencies and identifying new revenue streams remain key priorities. Major challenges include: the lack of affordable housing in Cambridge making it increasingly difficult to recruit and retain the best staff and students, the risks arising from Brexit-related uncertainty, the likely increases to pay and pension costs and the potential for changes to government policy impacting student fees.

The 2017-18 **financial operating performance was satisfactory** with a surplus before other gains and losses of £53.7m on total income of £1,964.8m. For the same financial period, the Group generated a total comprehensive income of £390.8m (2016-17 £492.3m) and managed total net assets of £5.2bn.

Total income reflects **continuing growth year on year** with an increase of 5% compared to 2016-17 levels. At the same time, total donations raised by the "Dear World... Yours, Cambridge" campaign reached £1.2bn. The Cambridge University Endowment Fund (CUEF) has also delivered another year of stable performance achieving a return of 8.8% for the year ended 30 June 2018. Investment by the University in its capital infrastructure continued during 2017-18 with £317.9m invested in fixed assets, software and investment property over the period.

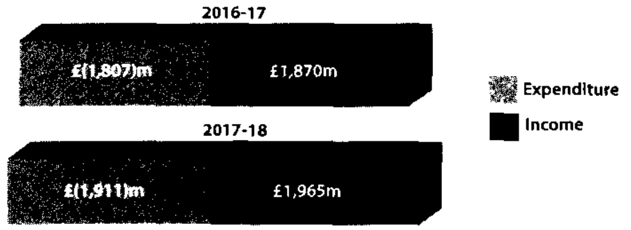


Chart 1: The Group's income and expenditure 2016-17 and 2017-18

Reported surplus for the year

The statement of comprehensive income reflects a **surplus for the year** of £269.6m (2016-17: £466.4m), including donations received for permanent endowment and capital purposes, as well as contributions from both CA's and CUP's trading activities. Whilst overall the surplus is £196.8m lower than last year, this is predominantly driven by lower investment gains. In 2017-18 gains on investment were £219.0m which compares to £407.1m in 2016-17. The value of invested assets particularly within the CUEF is inherently volatile, and this figure is likely to fluctuate year on year. In addition, during 2017-18 the University also recognised significant revaluation gains and losses in respect of certain investment properties (most notably West and North West Cambridge – see Note 21 to the Accounts). This resulted in a net devaluation of £31.1m being recognised which reduced the overall gains on investment accordingly.

Other key factors that contributed to the surplus for the year include:

- Growth in revenue generating activities partially offset by increased staff costs
- Improved levels of cost recovery on certain categories of externally-funded research
- New endowments received for funding key posts and scholarships.

The consolidated position comprises three main segments: i) core academic activities, Trusts and subsidiary activities of the University ii) the assessment activities carried out by CA and iii) the publishing activities carried out by CUP. Within the Group there are a number of intra-group transactions, principally the financial and other support from CA and CUP for the University's academic activities. Table 2 gives segmental information, which is considered in further detail in Note 17 to the accounts:

Table 2

	Total income 2018 £m	Expenditure 2018 £m	Investment gains 2018 £m	Tax 2018 £m	Surplus for the year 2018 £m
HEI, Trusts and others	1,259	(1,245)	194	(1)	207
Cambridge Assessment	442	(411)	21	(1)	51
Cambridge University Press	319	(309)	4	(1)	13
	2,020	(1,965)	219	(3)	271
Financial support to the University from Cambridge Assessment	(26)	26	–	–	–
Transfer of assets from Cambridge Assessment to the University	(24)	24	–	–	–
Financial support to the University from Cambridge University Press	(5)	4	–	–	(1)
As per the reported financial statements	**1,965**	**(1,911)**	**219**	**(3)**	**270**
Adjustment to reflect the element of Cambridge University Endowment Fund distributions funded out of long-term capital growth					
HEI, Trusts and others	71	–	(71)	–	–
Cambridge Assessment	7	–	(7)	–	–
Cambridge University Press	1	–	(1)	–	–
To restate onto a distribution basis	79	–	(79)	–	–
Adjusted distribution basis	**2,044**	**(1,911)**	**140**	**(3)**	**270**

	Total income 2017 £m	Expenditure 2017 £m	Investment gains 2017 £m	Tax 2017 £m	Surplus for the year 2017 £m
HEI, Trusts and others	1,166	(1,159)	371	–	378
Cambridge Assessment	413	(365)	33		81
Cambridge University Press	318	(310)	3	(4)	7
	1,897	(1,834)	407	(4)	466
Financial support to the University from Cambridge Assessment	(24)	24	–	–	–
Financial support to the University from Cambridge University Press	(3)	3	–	–	–
As per the reported financial statements	**1,870**	**(1,807)**	**407**	**(4)**	**466**
Adjustment to reflect the element of Cambridge University Endowment Fund distributions funded out of long-term capital growth					
HEI, Trusts and others	70	–	(70)	–	–
Cambridge Assessment	7	–	(7)	–	–
Cambridge University Press	1	–	(1)	–	–
To restate onto a distribution basis	78	–	(78)	–	–
Adjusted distribution basis	**1,948**	**(1,807)**	**329**	**(4)**	**466**

Total comprehensive income for the year is £390.8m (2016-17: £492.3m) benefitting from an actuarial gain on pension scheme liabilities of £122.5m (2016-17: £26.3m) and *profit on acquisition of the PHG* (Genomics and Population Health) Foundation of £1.6m partly offset by losses on foreign currency translation of overseas subsidiary undertakings of £(2.9)m. On 1 April 2018, the University became *Trustee of the PHG Foundation and* subsequently has consolidated its net assets in these financial statements. As nil consideration was paid for these net assets the resultant profit has been recognised through the statement of total *comprehensive income.*

Income

The Group's income increased by £94.9m (up 5%) from £1,869.9m to £1,964.8m. The Group has growing, diversified sources of revenue providing operational stability and resilience with a compound growth of 6.8% since 2012. Apart from funding body grants and income from donations and endowments, each category of income grew in 2017-18:

- Sponsors of research projects continue to be the single largest source of income for the University. Research grants and contracts activity increased revenues by some 13% to £524.9m compared to 2016-17 levels. The areas of most growth include funding from Research Councils which increased by 19% to £174.9m, UK-based charity funded research income which increased by 7% to £152.7m, and funding from other bodies (including private donors such as the estate of Ray Dolby) which increased by 36% to £71.3m. The mix of other categories of sponsors remained broadly similar
- Revenues from CA and CUP represent the next largest sources of Group income and in aggregate totalled £745.5m (2016-17: £722.3m) which amounts to 38% of total revenues for the year
- Tuition fees and education contracts totalled £295.1m, up by 7%, principally due to an increase in student numbers and increases in non-regulated fee rates.
- Funding body grants from the Higher Education Funding Council for England (HEFCE) and latterly from the Office for Students (OfS) reduced by 3% to £173.6m. An increase in museum funding of £2.1m was partly offset by a reduction in the recurrent research grant of £0.2m and further reductions in capital grants of £7.4m. Funding from teaching grants was broadly held at 2016-17 levels
- Other income of £142.1m increased by 9%, including improved property rental income
- Donations and endowments received were £63.8m, (2016-17 £79.1m)
- Investment income is an important component of the University's funding mix. Provided by the Group's financial investments, in particular the CUEF, investment income grew from £17.9m to £19.8m. The CUEF's distribution (available for spending on operations) exceeded the income received in the year from its underlying investments by £79.1m. On a "distribution basis", investment income was £98.9m.

Examination and assessment services are carried out by CA through its three exam boards: Cambridge Assessment English, Cambridge Assessment International Education, and Oxford Cambridge and RSA Examinations (OCR). CA's international businesses now account for over 60% of CA's income. **Total examination and assessment income in the year to 31 July 2018 increased** by 5% to £432.5m.

Overall Publishing income from publishing services in the period rose by 1% to £313.0m. Publishing service revenue incorporates CUP's income from the sales of educational and scholarly books, e-books, journals, applications and related services through its three publishing groups: Academic (research books, advanced learning materials and reference content as well as journals); Cambridge English Language Teaching (materials for both adults and students); and Education (teaching materials for schools and advice on educational reform). Around 90% of CUP sales arise outside the United Kingdom.

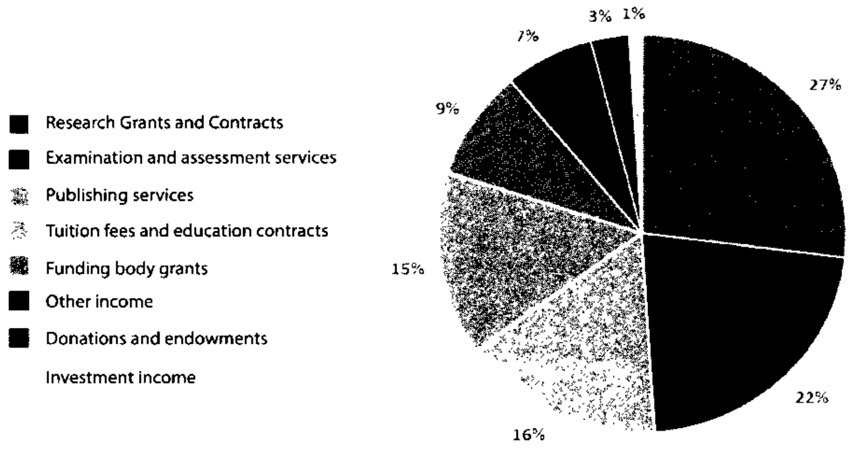


Chart 2: The Group's different income sources explained

Investment income

The Cambridge University Endowment Fund (CUEF) is an investment vehicle which enables the University to pool assets held on trust and invest them for the very long term, gaining from scale, diversification and professional management. The CUEF is managed by Cambridge Investment Management Limited under investment and distribution policies set by the Council on the advice of its Investment Board. The CUEF is open to the University and to the colleges and charitable trusts associated with the University. At 31 July 2018, there were 16 College investors. The CUEF aims to preserve and grow the value of the perpetuity capital of its investors, while providing a sustainable income stream. Its long-term investment objective is to generate an average 5.25% return over the Retail Price Index (RPI), while judiciously managing the risk taken by utilising diversification in investment strategies, asset classes and managers. The distribution policy is based on underlying capital values, ensuring the distribution is directly linked to the performance of the Fund without depleting capital originally invested. At 31 July 2018, the net asset value of the CUEF was £3,253m. On a "distribution basis", investment income to the University was £98.9m.

The CUEF reports its performance to 30 June 2018. During the year ended 30 June 2018, the CUEF had an investment return of 8.8% (2016-17:18.8%). **The Fund has returned an annualised 11.64% return over a rolling five-year period.** This exceeds the long-term investment objective over this period of 7.68% annualised. The value of the CUEF at 30 June 2018 was £3,193m (2016-17: £2,959m) of which £2,786m (2016-17:£2,690m) is attributable to the University.

Public equities comprise 59% of the CUEF as at 30 June 2018 and have been the main driver of returns in both the long and short term. Investments in private equity have also begun to make a significant impact. Credit exposure has evolved over time and will continue to do so as opportunities arise.

The asset allocation and investment selection in the Fund is aimed at optimising the expected long-run total return, bearing in mind expected future volatility. The CUEF's asset allocation at 30 June 2018 is shown below.

Over the course of 2017-18, allocations to these broad asset classes did not change significantly.

Other investment assets generated investment income of £1.9m during 2017-18. Some long-term investments are held outside the CUEF. These include certain *investment properties in Cambridge,* other securities, and equity *investments in spin-out companies* overseen by the University's technology transfer company Cambridge Enterprise Limited and through its holding in Cambridge Innovation Capital.

The majority of the University and Group's current asset investments *are invested in the deposit pool.* This pool is managed by the Finance Division according to guidelines on diversification, exposure, and credit quality as agreed by the Finance Committee. The investments are principally short-term deposits with banks and similar institutions.

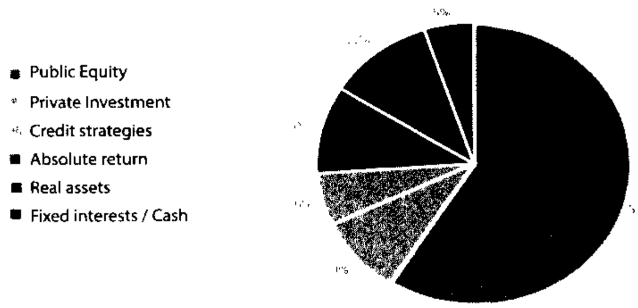


Chart 4: The CUEF's asset allocation at 30 June 2018

Expenditure

The Group's total expenditure in 2017-18 of £1,911.1m was £104.6m (6%) higher than in the prior year, primarily reflecting increased staff costs across both research and other activities. Expenditure comprises: staff costs (including research) at 44%; other operating expenses at 49%; depreciation at 5%; and interest and other finance costs at 2%. The main changes compared to 2016-17 levels reflect:

- Higher staff costs increasing by 6% to £849.6m. The average number of staff rose by 5% to 16,736, with increases in both pay and University Superannuation Scheme (USS) pension contributions. The pay costs in part reflect the phased integration into the University of staff formally associated with the Medical Research Council (MRC)
- Other operating expenses increased by 5% to £933.5m, including higher grant-funded research costs
- Depreciation increased from £89.9m in 2016-17 to £94.4m as a result of significant fixed asset additions during the year
- Interest payments rose from £31.4m in 2016-17 to £33.6m (up 7%). The financing costs of pension and retirement benefits account for £18.8m of the total (up 5%) and the balance relates to interest on the University's bond liabilities. The main driver of the increased costs relates to one-off financing costs associated with the issue of the new bonds in June 2018 of £0.9m.
- The ongoing annual interest charges associated with all of the University's bond liabilities is estimated at £21m p.a., although this will be impacted by changes in the Consumer Price Index (see Note 15 to the Accounts).

Cash flow and financing

After adjusting for non-cash charges such as depreciation and amortisation, **the underlying net cash inflows from operating activities of £78.7m increased** ahead of the associated surplus reflected in the Statement of Comprehensive Income.

Against this must be set the demands of capital expenditure on the operational estate and equipment and IT, which in 2017-18 totalled £269.6m. The activities of Cambridge Assessment (CA) and Cambridge University Press (CUP) further the mission of the University in important ays and (to a lesser extent in the case of CUP) are also important sources of funds for the academic University. In the financial year to 31 July 2018, examination and assessment services produced a surplus before investment gains of £88.1m, while publishing services produced a £15.0m surplus in the same period. Some 30% of these surpluses are transferred to the University and typically used towards funding capital expenditure.

The overall **net cash inflow for the Group was £574.0m** for the year, reflecting the proceeds from the Bonds issue partly offset by the continued progression of the University's strategic capital investment programme. As at 31 July 2018, the Group had bank overdrafts of £14.0m and outstanding bond liabilities totalling £937.1m.

Net assets

The following table shows the movement in net assets of the Group analysed into its three main segments:

Table 3

	HEI, Trusts and others £m	Assessment £m	Press £m	Eliminations £m	Group £m
Net assets at 31 July 2017	4,182	595	86	(16)	4,847
Surplus for the year before tax	208	52	14	(1)	273
Taxation	(1)	(1)	(1)	–	(3)
Surplus for the year (Table 2)	**207**	**51**	**13**	**(1)**	**270**
Actuarial gain	99	–	23	–	122
Loss on currency translation	–	–	(3)	–	(3)
Profit on acquisition of Foundation	2	–	–	–	2
Net assets at 31 July 2018	**4,490**	**646**	**119**	**(17)**	**5,238**

The Group's net assets totalled £5,238m (2016-17: £4,847m) as at 31 July 2018. The increase in net assets largely relates to increases in the value of investments, reduced pension liabilities resulting from a significant actuarial gain on the University's contributory pension schemes and expenditure on fixed assets.

Fixed assets

The University continued to deliver against its prioritised capital investment programme, focusing on maintaining and enhancing its world-class facilities and infrastructure in order to safeguard its position as a global leader in education and research. However, cash generated from the University's own activities continues to be insufficient to deliver significant elements of programme. For this reason, philanthropy and other sources of capital funding are likely to become increasingly important to the future programme's success.

In the year 2017-18, fixed asset additions were £269.6m, with capital expenditure on land and buildings of £191.8m, and further expenditure of £57.2m on equipment and £20.6m on software projects. The University projects a reduction of annual capital spend to sustainable levels as it completes the extensive capital programme of the last few years.

Investment of £234.2m was made in the academic estate across a wide range of building projects, with significant expenditure on major laboratory facilities on the Cambridge Biomedical Campus and completion of the new off-site storage facilities for the University Library. CA has now substantially completed a major investment in its technical infrastructure and its new office building alongside CUP's existing headquarters. The building accommodates all Cambridge-based staff in a single location, with additional space for planned growth.

The University has an ambitious, academically-prioritised programme of capital investment stretching forward into the coming years. Capital investments include the Cambridge Biomedical Campus, the New Museums Site, the Old Addenbrooke's site and at the West Cambridge site (including the new Cavendish III Laboratory now in development and the phased relocation of the Department of Engineering).

On the wider front, the University's estates strategy is reshaping the City. Focused on the major campus areas of West & North West Cambridge, the Biomedical Campus and the City Centre, **the estates strategy is supporting both continued academic excellence and the development of housing, transport and childcare facilities** for staff and their families. The University continues to develop its site at North West Cambridge, now called Eddington, contributing affordable and high-quality housing for post-doctoral research staff and others at the beginning of their careers with the University. Phase 1 is now substantially complete and provides University housing for letting to staff, market housing for sale and let, a primary school, supermarket, retail units and further sites for research. Phase 1 involved a peak cumulative investment by the University approaching £380m in 2017-18, as the bulk of rental income streams began.

Work is now well underway to optimise the plans for a second phase of development at North West Cambridge. The majority of the completed Phase 1 North West Cambridge development (including infrastructure, community facilities and public realm to support future expansion) has now been reclassified to Investment Property on the balance sheet as at 31 July 2018. This reclassification has required a formal valuation, reviewed with our external auditors. As noted earlier, the primary objective of the development was the **strategically important provision of attractive yet affordable housing solutions** for key workers and post-doctoral staff. The rental model agreed with Cambridge City Council provides a level of subsidy from market rates. The University has consciously made development decisions that ensure high-quality design and materials specification and also meet the University's ambitious Environmental and sustainability objectives. These decisions result in a relatively high-cost solution. It is important to state that the Phase 1 development was never designed to maximise commercial returns. The high-quality and environmentally-sustainable build specification, combined with a deliberately sub-market rental model, has resulted in a net revaluation of £(50.4)m below the book value. This devaluation adjustment is a measure of the University's strategic investment in the future success and ultimate value of this exciting new quarter of the City of Cambridge.

Pension schemes

The costs and risks of the pension schemes to which the Group is exposed remain of concern, in particular in relation to the Universities Superannuation Scheme (USS). The USS is a multi-employer scheme (Note 28 in the Accounts describes how the scheme is reflected in these statements). The USS triennial actuarial valuation as at 31 March 2017 indicated a material increase in the scheme deficit, with the cost of future service benefits higher than in the previous valuation. Changes to scheme contributions and/or benefits are likely to be required. At the date of publishing this report, **work continues between the scheme trustees and the employers through Universities UK (UUK) towards a satisfactory and equitable resolution**. Meanwhile, a process of staff consultation on the scheme's default 'cost-sharing' mechanism is in progress in parallel with a consideration of the outputs of the Joint Expert Panel's review, as all parties seek an optimal long-term solution.

The Group has three other major schemes: the Cambridge University Assistants' Contributory Pension Scheme (CPS) for assistant staff and two defined benefit schemes for staff of the Cambridge University Press. The CPS is a hybrid-defined benefit scheme with a defined contribution component. The scheme remains open to new joiners and future accrual. The Group is making deficit-recovery contributions to the scheme of £14.6m per annum until 2019. The most recent triennial valuation of the CPS was at 31 July 2015 and is currently under review.

The Cambridge University Press defined benefit schemes are closed to new joiners and, following the triennial valuation of the two UK schemes as at 1 January 2016, are subject to a recovery plan projecting an aggregate deficit contribution of £25.3m to be funded by 31 July 2022.

Included in the balance sheet as a liability is the present value of future contributions payable to the USS, to the extent that they represent recovery payments towards covering the deficit in the USS. The liability recognised with this treatment was £118.9m as at 31 July 2018 (2016-17: £120.1m). The CPS and the University Press schemes (being single-employer schemes) are included in the financial statements following FRS102 and the total net pension liability is £516.2m (2016-17: £619.0m), of which £73.4m relates to the University Press schemes. Pensions are discussed further in Note 34 to the Accounts.

The Group's current service costs and deficit-recovery contributions as reflected through staff costs in the year 2017-18 were £141.8m. It is recognised that forward employer contributions are likely to increase in the medium term. While the University faces pressure on its pension schemes' costs and risks (in particular, on the USS) and on staff costs more generally given the pay restraint of recent years, it is relatively well positioned in the sector to handle these potential challenges in the short-term through the reprioritisation of funds.

Long term borrowings

In 2018, the University successfully raised £600m in external finance

In 2012, the University issued £350m of 3.75% unsecured bonds due in October 2052. The bonds are listed on the London Stock Exchange. The net proceeds of the issue (£342m) were applied in the University's investment in the North West Cambridge Phase 1 development.

During 2017-18, the decision was made to capture a market opportunity of securing additional external finance at historically low interest rates, providing the University with options to further develop its non-operational estate (i.e. projects outside those directly enabling core academic teaching and research activities). **The University successfully raised £600m in external finance through two tranches:**

- £300m 60-year (2078) bullet repayment fixed-rate Bond at coupon 2.35% p.a.
- £300m 50-year (2068) CPI-linked Bond at coupon 0.25% p.a. amortising from year 10 and capped at 3% and floored at 0%.

This very low-cost funding for the University was secured through the largest ever Consumer Price Index (CPI)-linked tranche and the lowest ever coupons on UK Higher Education sector deals for both fixed-rate and CPI-linked tranches. The order book was notable in terms of the high number and quality of investors.

Proceeds from the new bonds will provide added flexibility in the continuing support of our academic mission and student interest through the development of income-generating projects in the non-operational estate, including further strategic housing. Such income-generating projects are of high strategic importance. They deliver significant indirect benefits essential to the University's primary mission while also addressing the critically important housing challenge, providing alternative income streams at a time of significant financial volatility, and adding significant long-term value to the University's academic mission and student interest.

Financial outlook

The University's single largest source of funding — income from research grants and contracts — is projected to continue in steady growth

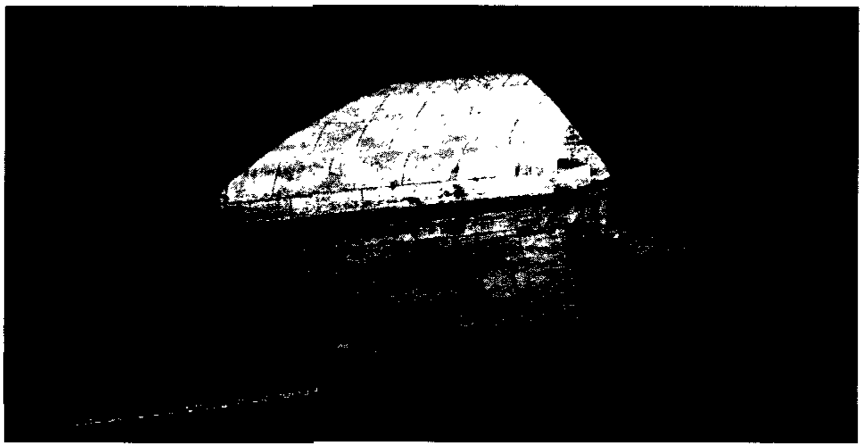
The University is confident in its long-term financial sustainability. The University seeks to manage its sources of revenue effectively and its costs efficiently, in order to generate the long-term cash flow needed to ensure it maintains a pre-eminent position amongst the world's leading universities.

The University's single largest source of funding — income from research grants and contracts — is projected to continue in steady growth, despite the uncertainties surrounding future European research funding following Brexit and the restructuring of UK Research Councils. Fee income is expected to increase in line with a long-term upward trend in post-graduate student numbers, although this is somewhat offset by a freeze in Home/EU undergraduate fees and the awaited outcome of the government's post-18 review of education and funding.

In a highly-competitive marketplace, Cambridge Assessment's international activities and income are expected to continue to grow over the next five years, given continued investment in research, technology, product development and staff. Cambridge University Press also anticipates steady revenue growth in the face of global economic and competitive challenges and evolving customer needs. Increasing strategic alignment, greater joint investment between CA and CUP, and closer working with the academic University are already starting to yield benefits.

While our long-term growth objective for the CUEF remains unaltered, elevated asset valuations as at 31 July 2018 mean that medium-term investment returns from this point are unlikely to reach the long-term target levels.

Principal risks and uncertainties



These are uncertain times for both the Higher Education sector and the global economy. As the University's principal executive body, the University Council takes primary responsibility for ensuring the University has an effective and balanced enterprise risk-management framework in place. Business risk-management is at the core of the University's overall system of internal controls and is designed to focus on and mitigate, to every extent possible, the most significant risk events that might adversely or beneficially affect the University's ability to achieve its policies, aims and objectives.

The University follows good practice in considering risk appetite in the context of the University's academic mission, seeking to ensure an appropriate balance between risk aversion and opportunity capture. The business risk-management approach identifies and appraises risks and opportunities in a systematic manner and is integrated and embedded with the University's planning, investment decision-making and operational management processes. Accountability and responsibility for risk mitigation is assigned to management across the devolved organisation. Management are encouraged to implement good risk-management practice across the University. The University makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

The Risk Management Strategy is implemented through a Risk Management Policy, communicated throughout the University. The Risk Steering Committee (see the section on Corporate Governance on page 51) advises the Council, oversees operational risk management across the University and maintains the University's Key Risk Register, identifying and quantifying fundamental risks, and ensuring arrangements to manage those risks are put in place and their effectiveness reviewed at least annually.

Additionally, the Audit Committee receives an annual opinion from the internal auditors on the adequacy and effectiveness of the University's arrangements for risk management, control, governance and Value For Money and provides assurance to Council on the adequacy and effectiveness of the University's arrangements for risk management.

The principal financial risks and uncertainties of the University are broadly consistent year-on-year: its long-term ability to maintain and develop its research funding, attract the best staff and students and maintain, refresh and renew its physical facilities. The activities of Cambridge Assessment and Cambridge University Press are subject to the pressures of international competition. CA and CUP balance the need to generate sufficient net income to thrive with the need to support the University's core academic activities wherever possible.

The University remains comparatively well positioned in the sector to deal with financial risks. Revenue streams are well diversified, both in terms of revenue line and geographically. The fact that the University does not seek to "profit maximise" means that there are additional sources of revenue open that it has chosen not to maximise. These sources of revenue provide significant resilience, as does the strong and liquid balance sheet that guards against short-term shocks and would allow time to make the necessary operating adjustments.

Key strategic risk areas identified include:

Risk area	Responses and actions
Reputational and financial impact through failure to meet OfS and other stakeholder expectations for widening student access; student dissatisfaction in the quality of their educational experience; failure to recruit the very best undergraduate and postgraduate students; failure to ensure that educational facilities are of an acceptable standard for a world-class educational institution.	• Engagement with Colleges which are responsible for undergraduate admissions • Fundamental review of widening participation expenditure and development of new initiatives • Launch of the Student Support Initiative • Student Recruitment Strategy • Review of curricula and methods of teaching and examination • Preparation and launch of the Education Strategy
Changes to government policy lead to further cuts in financial support and provision for education. Negative outcomes from the ongoing government review of post-18 education and funding in relation to student tuition fees. Negative impact or delays to funding through the formation of UK Research and Innovation, which will bring together the current Research Councils, and the increasing emphasis on national research institutes which might affect restructuring of Research Councils.	• The University continues to engage with Government directly and through the HE sector to influence policy in support of its education and research mission. The University also continues to diversify its income sources • The college dimension of education provision is distinctive and successful, but it is costly to deliver. The University continues to review ways of controlling costs, seeking value for money gains, and opportunities to develop the mix of students over time, while maintaining the highest quality of education and without compromising on admission standards • The University will continue to develop strategic relationships with research funders, including Research Councils and industrial partners
Brexit outcomes restrict access to movement and funding of EU students and staff. Reduced access to current levels of EU Research income. Wider economic downturn impacts future sources of revenue and availability of indirect labour and materials, disrupting our capital expenditure programme. Areas of high-risk are: EU Research Funding, Immigration Costs, Staff Counselling, EU Student Recruitment, Student Funding and Communications.	• The ongoing uncertainties and likely direct and indirect human and financial consequences of the UK's imminent exit from the EU are of significant concern. The University and the HE sector continues to engage with Government on all Brexit issues • The University has established strategic and operational-level working groups to review and develop plans to ensure that the University maintains and enhances its position as the external environment changes. The University has agreed interim measures to support meeting immigration costs for existing EEA staff • Loss of European Research Council (ERC) funding would likely impact on the University's ability to engage leading researchers. HM Treasury has committed to guarantee existing ERC funding commitments
Increasingly competitive landscape for all forms of **Research Funding**.	• The University is investing significant resources in preparation for the upcoming REF21 funding round and continues to enhance the capabilities and capacity of its Research Office in support of the ongoing processes for grant application and management • The University has a growing focus on industrial research collaboration with international partners, focusing on finding solutions to the major global challenges

Risk area	Responses and actions
Both CUP and CA operate in **challenging international markets where global economic conditions may adversely impact their financial performance**, reducing the funds available for reinvestment in the University's core Academic mission. The University has an increasing international footprint of activities. International tax laws are narrowing the distinction between supporting activities and permanent establishments, leading to the potential for more overseas activity to become taxable.	• The University's businesses look to diversify their product offerings, develop new revenue streams and deepen existing capabilities • A joint Board now provides oversight of these businesses and is developing an overarching strategy to ensure they continue to thrive by exploiting business synergies and new distribution channels • The University continues to monitor the key risks associated with its combined international activities • The Strategic Partnership Office coordinates functional due diligence of proposed new international activities, sharing best practice • The University leverages specialist external taxation and legal advice in support of its core internal capabilities
Inability to attract and retain the best academics and **adequately resource professional and administrative staff** through a failure to compete with escalating levels of international reward levels, growth in the University's complexity and scale, and high costs of living and housing in the Cambridge area. In particular, there is a risk that the USS triennial revaluation leads to increased employer and employee contributions to fund a valuation deficit.	• The University continues to focus on pensions and pay as key components of a competitive employment proposition, seeking economy, efficiency and effectiveness in its operations to accommodate pay and pension inflation as necessary • The University is also focusing on the provision of transport, nursery schooling and housing, with the Eddington development designed to ease pressures • The USS's triennial valuation, currently under review, indicates an increased deficit and likely materially increased cost of provision of future defined benefits. The University is working with the sector to explore sustainable long-term options that might provide employers and staff with better value for money and more flexibility
Failure to maintain adequate risk management of **Health & Safety related risks** and compliance with associated regulations across the distributed University estate and activities leads to personal injury / fatality or significant loss of facilities.	• The University has policies and procedures in place to support appropriate risk management and compliance across the organisation. However, the devolved nature of the University and diverse nature of associated direct and indirect activities represent a challenge in ensuring full assurance coverage
Suboptimal management of long-term financial sustainability leads to erosion of **financial health** with enforced curtailment of investment in capital and operational requirements in support of academic priorities. **Declines in the value of long-term Investments** leads to reduced financial strength.	• The University continues to explore new revenue streams, modernise processes to seek cost efficiencies and ensure its capital programme is fully-funded ahead of new commitments being made • The University is investing further in its Development and Alumni Relations activities. A new campaign with a target to raise £2 billion across collegiate Cambridge was launched in October 2015 and has already exceeded £1.2bn • The professionally-managed CUEF has allocations across a diversified range of asset classes, sectors, styles and geographies with a broad equity focus, designed to be resilient over the long term
Inadequate long-term **maintenance and development of the academic and non-academic estate** and supporting infrastructure.	• The University has an ambitious capital building programme and is actively sharpening the prioritisation and management of its strategic investments • The University seeks to optimise available funding through maximising associated capital grants and philanthropic resources and by increasing net operating cash flows
Significant **data breach**, failure to comply with GDPR, or major **Information Security event** (cyber security) leads to loss of confidential / commercially sensitive information or failure of IT infrastructure.	• The University has invested resources to understand its data assets and the security landscape across a devolved institution, and to enable assessment of the risks associated to loss of confidential and commercially sensitive information • The University is developing an updated Cyber Strategy to deliver enhanced security controls across the University, noting that this is a challenge in more devolved areas of control and in an environment of increased and changing threats

Concluding remarks

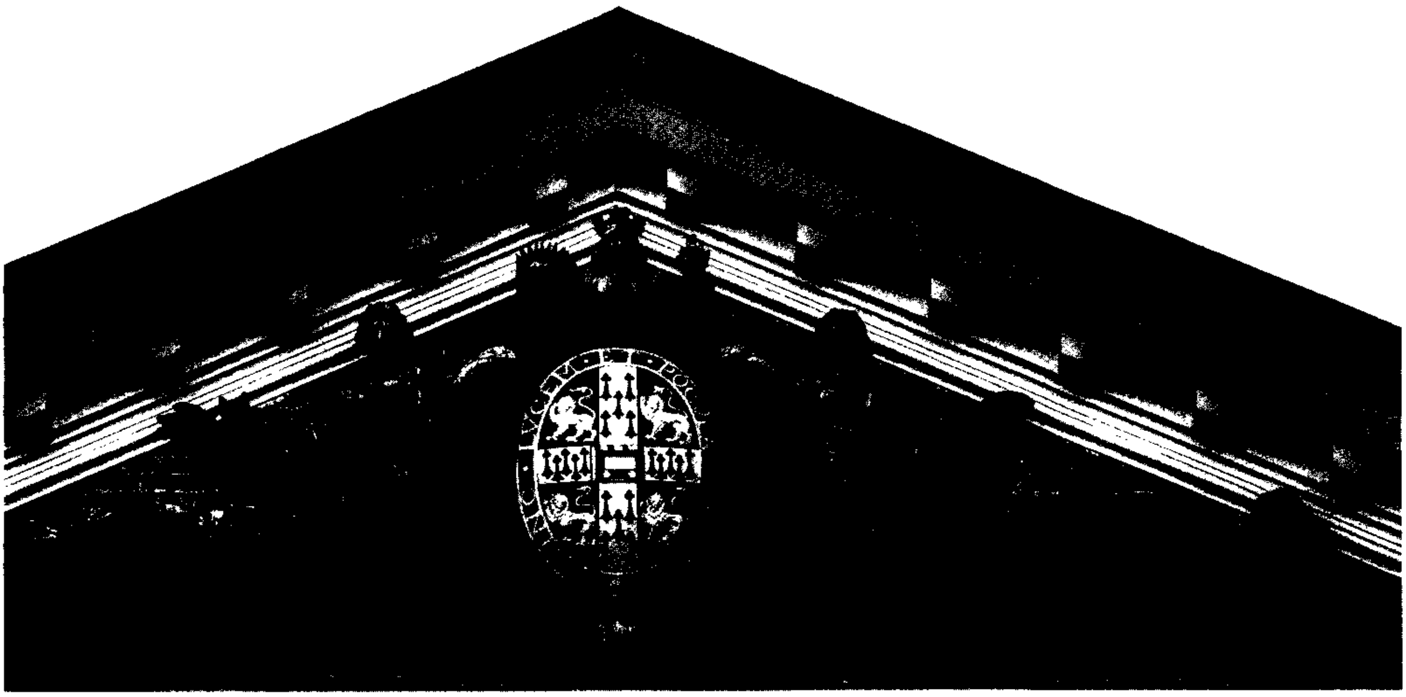
"The University is among the world's leading academic institutions, with a reputation built over time for outstanding academic achievement, which in turn helps us to attract and retain the best academic staff and students. Critical to our continued success is maintaining the financial ability to invest in our staff and provide research and teaching facilities commensurate with our standing. This is particularly important at a time when there are substantial developments being made at other leading global universities.

There are significantly more investments that we would like to make in staff and facilities than we can currently fund with the operating cash flow of the University. It is therefore important that the University looks to increase its own surplus as well as seeking additional grant and philanthropic funding and to prioritise carefully the investments it does make.

Nevertheless, the Group's financial position remains strong, with a robust balance sheet and diversified revenues.

In challenging and uncertain times for the sector and for the broader economy, we are comparatively well-positioned to deal with the associated financial risks."

Anthony Odgers
Chief Financial Officer



arrangements are adopted throughout the University for promoting Value for Money (economy, efficiency, and effectiveness); to monitor the University's management and quality assurance of data submitted to the OfS and other bodies; to establish appropriate performance measures and to monitor the effectiveness of external and internal audit; to make an annual report to the Council, the Vice-Chancellor, and to the OfS; to receive reports from the OfS and other authorities. Membership of the Audit Committee includes as a majority five external members (including the chair of the Committee), appointed by the Council with regard to their professional expertise and experience.

8. There are Registers of Interests of Members of the Council, the General Board, the Finance Committee, and the Audit Committee, and of the senior administrative officers. Declarations of interest are made systematically at meetings. For the academic year 2017/18, members of the Council were asked to self-certify against the OfS indicators of a 'fit and proper person'.

9. The University is a self-governing community whose members act in accordance with the seven principles of public life (see paragraph 2 above) and in pursuit of the objectives and purposes of the University as set out in its Statutes. The University complies with most but not all of the voluntary Higher Education Code of Governance published in December 2014 and revised in June 2018 by the Committee of University Chairs. In particular the Vice-Chancellor is chair of the Council, which does not have a majority of external members, and the Council is subject to the statutory authority of the Regent House.

Members of the Council and the charity trustees
during the year ended 31 July 2018

Position:	Name:
The Chancellor:	Lord Sainsbury of Turville
The Vice-Chancellor:	Professor Sir Leszek Borysiewicz (until 30 September 2017) Professor Stephen Toope (from 1 October 2017)
Heads of Colleges:	Dr Anthony Freeling Mr Stuart Laing (until 31 December 2017) The Reverend Dr Jeremy Morris (from 1 January 2018) Professor Michael Proctor Professor Susan Smith
Professors or Readers:	Professor Ross Anderson Professor Nick Gay Professor Fiona Karet Professor Susan Oosthuizen
Members of the Regent House:	Dr Richard Anthony Dr Ruth Charles Dr Stephen Cowley Dr Jennifer Hirst (from 2 March 2018) Dr Nicholas Holmes Dr Alice Hutchings Dr Pippa Rogerson (until 12 January 2018) Dr Mark Wormald Ms Jocelyn Wyburd
Student Members:	Ms Evie Aspinall (from 1 July 2018) Ms Daisy Eyre (until 30 June 2018) Ms Darshana Joshi (until 30 June 2018) Ms Umang Khandelwal (until 30 June 2018) Mr Marcel Llavero Pasquina (from 1 July 2018) Ms Sofia Ropek-Hewson (from 1 July 2018)
External Members:	Professor Sir David Greenaway (from 1 October 2017) Mr Mark Lewisohn Mr John Shakeshaft Ms Sara Weller

The Chancellor, external members, student members, Mr Laing, Dr Morris, Professor Proctor (after 1 October 2017), Professor Smith, Dr Freeling, Dr Anthony and Dr Wormald are not employees of the University. The other members of the Council are employees of the University. No member of the Council receives payment for serving as a member of the Council.

Statement of public benefit

The University is an exempt charity subject to regulation, with effect from 1 April 2018, by the Office for Students under the Higher Education and Research Act 2017; it was previously regulated by the Higher Education Funding Council for England.

The University reports annually on the ways in which it has delivered charitable purposes for the public benefit.

The Council, in reviewing the University's activities in this regard, has taken into account the Charity Commission's guidance on public benefit. The Council is satisfied that the activities of the University as described in these Reports and Financial Statements and in the Annual Report of the Council, fully meet the public benefit requirements.

The mission of the University

The Mission of the University is 'to contribute to society through the pursuit of education, learning and research at the highest international levels of excellence'. The University makes a significant contribution, through these activities, directly and most obviously to the advancement of education, research and dissemination of knowledge.

Research

The University is widely recognised as one of the leading research universities in the world both in terms of quality and in terms of scope and breadth. Research is undertaken at the highest level across a wide range of areas. The University takes seriously its obligations to disseminate and make publicly accessible the outcomes of its academic research activities through publication, teaching, conferences, consultancy and other knowledge transfer and outreach activities.

It therefore contributes to public benefit through the continued advancement of knowledge across the sciences, medicine, arts, humanities, culture and heritage.

A substantial proportion of the research undertaken in the University across the fields of clinical medicine, biomedicine, physics of medicine and engineering leads directly to the advancement of health and the saving of lives. Research is also carried out in the area of sustainability, environmental protection and improvement.

Research work in the University is focussed at local, national, and international levels. The products of this research have a wide-ranging influence through the advancement of understanding and its application in scientific and technological advances, and through informing public debate on policy. The impact of the University's research extends to governments, public sector bodies, and charities.

Education

The University's research activities feed directly into its teaching at every level. Around 20,000 students, of whom over 12,000 are full-time undergraduates, pursue courses across a wide range of disciplines. The quality of the education (and, as importantly, the educational experience) which the University provides is consistently recognised by the University's status at or near the top of national and international rankings.

The University is committed to admitting students of the highest intellectual potential, irrespective of social, racial, religious, financial or other considerations. The University works to ensure that individuals from all backgrounds can benefit from the opportunities afforded by a first-rate education and are not unreasonably excluded from those opportunities by the charging of fees. The University seeks to provide bursaries where necessary and undertakes outreach activities to improve participation by under-represented groups. Financial support is provided to students from overseas through University funds and by trusts associated with the University. Further information is available at **https://www.cambridgestudents.cam.ac.uk/cambridgebursary** and **http://www.graduate.study.cam.ac.uk/finance/funding**.

The University is aware that there are significant variations in the educational opportunities, information, and support available to individuals. It therefore invests significant resource and effort into its access and widening participation activities. The University encourages applications from people with disabilities and from mature students.

For the wider community a broad range of lectures, seminars, and courses provide the opportunity for members of the public to share in the University's educational provision. The University's Institute of Continuing Education offers short courses, residential and summer schools.

The University is committed to providing those who participate in its educational programmes with the highest quality of teaching and pastoral, infrastructural, and academic support. It is fundamental to the University's mission that its students are personally, academically, and professionally equipped to contribute positively to society. In this regard, the quality and depth of their student experience benefits them directly but also benefits the societies to which they will contribute, through their participation in the workforce and as informed and questioning citizens.

The wider applications of the University's commitment to disseminating knowledge

The University's publishing house, Cambridge University Press, contributes to the University's commitment to make publicly accessible the outcomes of academic research activities in Cambridge and from across the world by publishing peer-reviewed academic material and other educational publications. Through Cambridge Assessment, the University develops and delivers a range of widely used and respected examinations, benefiting the UK and world-wide community by offering internationally recognised qualifications, raising aspirations and transforming lives.

Statement of internal control

1. The Council is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims, and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the Statutes and Ordinances and the Office for Students' (OfS) Terms and Conditions of funding for higher education institutions and the Terms and Conditions of the Research England grant.

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

3. The system of internal control is designed to identify the principal risks to the achievement of policies, aims, and objectives, to evaluate the nature and extent of those risks (including making an assessment of their likelihood of materialising and their impact), and to manage them efficiently, effectively, and economically on an ongoing basis. The review of risks considers business, operational, compliance, financial and reputational risks. This approach is promulgated across the University's institutions for consideration of institutional risks. This process was in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with OfS guidance.

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

(a) The Council meets for up to eleven ordinary meetings and two strategic meetings throughout the year to consider the plans and strategic direction of the University.

(b) The Council receives periodic reports from the Chairman of the Audit Committee concerning internal control and the minutes of all meetings of the Audit Committee.

(c) The Council's Risk Steering Committee oversees risk management. The Council receives periodic reports from the Chairman of the Risk Steering Committee and an annual report from the Risk Steering Committee. The annual report sets out how risks are identified and evaluated and how risk management is embedded. It enables the Council to assess the effectiveness of the arrangements in place.

(d) The Audit Committee receives regular reports from the internal auditors, which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control and risk management, together with recommendations for improvement. Risk management is a standing item on the Audit Committee agenda and is the driving element in the design of the annual internal audit programme of work.

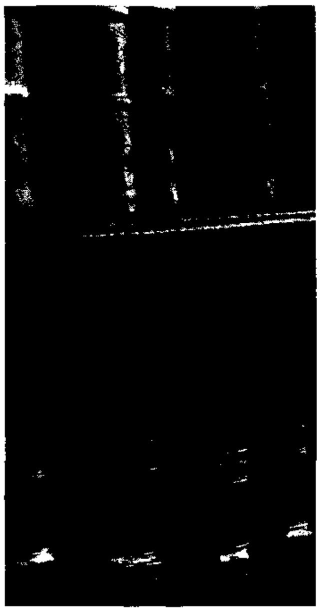
(e) The University provides information (primarily through web-based resources) to those who own or manage central or School risks.

(f) A system of indicators has been developed for the University's key risks.

(g) A robust risk prioritization methodology based on risk ranking and cost-benefit analysis has been established.

The Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors, Deloitte LLP.

5. The Council's review of the effectiveness of the system of internal control is also informed by the work of the senior officers and the risk owners within the University, 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.



Statement of the responsibilities of the Council

Under the University's *Statutes and Ordinances* it is the duty of the Council to prepare and to publish the annual accounts of the University in accordance with UK applicable accounting standards such that the accounts give a true and fair view of the state of affairs of the University.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University.

In preparing the financial statements the Council is required to:

(a) select suitable accounting policies and then apply them consistently;

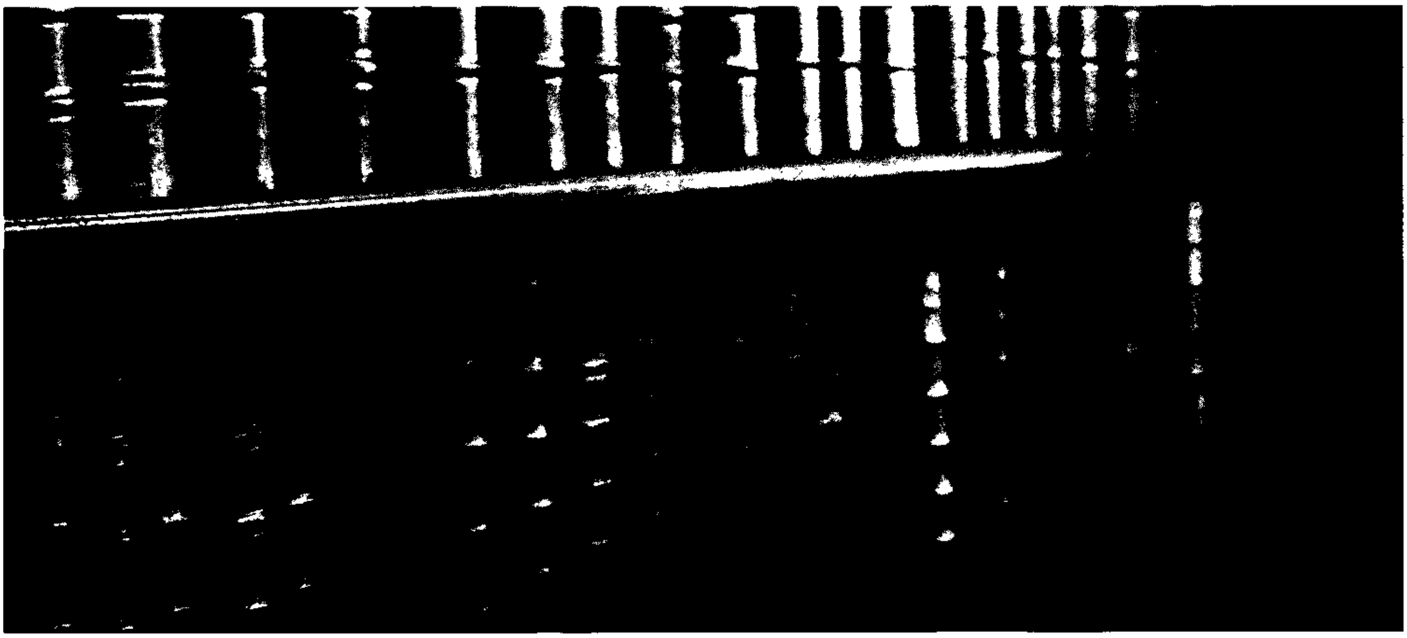
(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed;

(d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the University will continue to operate;

(e) ensure that income has been applied in accordance with the University's *Statutes and Ordinances*, the Terms and Conditions of funding for higher education institutions, the Terms and Conditions of the Research England grant, and the funding agreement with the National College for Teaching and Leadership; and

(f) safeguard the assets of the University and take reasonable steps to prevent and detect fraud and other irregularities.



Independent auditors' report to the Council of the University of Cambridge (the University)

Report on the audit of the financial statements

Our opinion

In our opinion, the University of Cambridge's Group financial statements and University financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Reports and financial statements, which comprise: the Group and University Balance Sheets as at 31 July 2018; the Group and University Statements of comprehensive income, the Consolidated statement of cash flows, and the Group and University Statements of changes in reserves *for the year then ended; and the notes to the financial statements, which include a description of the significant* accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

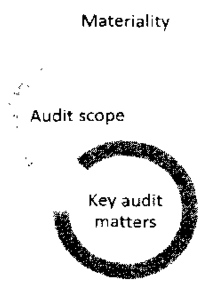
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 14 to the financial statements, we have provided no non-audit services to the Group or the University in the period from 1 August 2017 to 31 July 2018.

Our audit approach

Overview



Overall Group materiality: £18.7 million (2017: £18.0 million), based on 1% of total income.

The scope of our work covered the University, Cambridge Assessment, Cambridge University Press and the Cambridge University Endowment Fund.

Our audit scope addressed 95% of Group Income and 97% of Group Assets.

Valuation of North West Cambridge

Valuation of pension schemes

Revenue recognition for donations and research grants

Valuation of investments

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industries in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and University financial statements. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, discussions with in house legal team, enquiries of management and review of internal audit reports in so far as they relate to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of North West Cambridge	
Refer to note 21b (Investment Property). Following the completion and bringing into use of Phase 1 of North West Cambridge the group has recorded the development as an investment property at fair value including related land with relevant planning permissions, totalling £327.2m. The valuation is supported by a discounted cash flow model prepared internally in order to assess the cash flows arising from a combination of rental and sales income streams expected from the development, together with external valuations for certain elements, including land. There are a number of judgemental assumptions including: discount rate, yields, expected sales prices for those units for sale. As a result of the valuation, an impairment of £50.4m has been identified and accounted for.	We have considered the background facts and circumstances and consider that it is appropriate to record North West Cambridge as an investment property. We reviewed the original Council and Finance Committee meeting minutes to assess the intent behind the development. While there is some judgement in respect of certain individual properties, the overall rationale behind the project was to create an income generating development, and as such, we agree with management's judgement to classify it as investment property. We have performed testing of the internally-prepared discounted cash flow model by checking its mathematical accuracy, agreeing estimates back to supporting evidence where available (including to sales contracts already in place, third party valuations, and evidence in support of current rental income). We also assessed the assumptions that feed into the model (including discount rate, expected rental yields and sales proceeds). We used the PwC Valuations team to assist us with assessing the assumptions adopted by management and concluded that they all sit within external market ranges, where available, are consistent with underlying support and in line with our own expectations. Based on this work, no material issues were noted.

Key audit matter	How our audit addressed the key audit matter
Valuation of pension schemes Refer to note 28 (Pension liabilities) and note 34 (Pension schemes). The Group has defined benefit pensions plans with net liabilities of £516.2m, which is significant in the context of the Group balance sheet. The Group also holds a liability in respect of the deficit reduction agreement for the USS of £118.9m. Defined pension scheme liabilities are material to the Group and are affected by the value of the scheme's underlying assets and the actuarial assumptions, such as discount rates and life expectancy, used to calculate the value of the pension liabilities. There is a range of assumptions that can be used by actuaries depending upon the individual circumstances of the scheme, and a change of a few percentage points in the assumptions can have a significant financial impact on the year-end pension liability. In addition USS announced in July 2018 that it was invoking rule 76.4-8 to complete the March 2017 valuation of the scheme. Under this rule, the costs of funding the scheme are shared between employers and members. Contributions paid by the University would increase from 18% of salary currently to 24.9% of salary from April 2020. This includes contributions of 6% of salary to fund the deficit, up from 2.1% of salary. The changes announced are subject to consultation with scheme employers. The period over which the deficit contributions will be payable is unclear, meaning that the University cannot calculate a revised provision for deficit funding contributions.	In respect of the CPS and Press defined benefit schemes, we obtained the pension valuation reports from the external actuaries. With the assistance of our internal actuarial specialists we compared the inflation rates and discount rates used in the valuation of the pension liability by the external actuary to our internally developed benchmarks. We compared the assumptions around salary increases and mortality to national and industry averages as well as University specific information. We performed testing over the census data on which the valuation is based. We agreed underlying assets in the scheme to confirmations obtained from fund managers, and obtained controls reports and/or financial statements to evaluate the reliability of the evidence obtained. Based on this work, no material issues were noted. In respect of the USS deficit recovery provision we have tested the contribution data and actuarial assumptions and are satisfied that the assumptions used for the USS provision are reasonable and we have confirmed the integrity of the underlying model used for its calculation. We have also reviewed the impact of USS's announcements on future contribution rates. We note that there is uncertainty over whether the announced contribution rates will be implemented as announced. Therefore, we consider that the liability should not be re-measured at present. We have confirmed that the nature of this uncertainty is disclosed in the financial statements.
Revenue recognition for donations and research grants The Group recognised £63.8m of income in the year from donations and endowments and £524.9m from research grants (see notes 7 and 9). Research grants are recognised when the terms of the grant or contract are met, primarily as allowed expenditure is incurred. Often there will be timing differences between when cash is received and recognition criteria are met which requires income to be accrued or deferred. In addition there is judgement applied where performance conditions are used as the basis for income recognition. There is also judgement involved in determining when to recognise donation income with regards to when performance conditions have been met that allow recognition.	We have evaluated and tested the accounting policy for income recognition to ensure that this is consistent with the requirements of accounting standards. No exceptions were noted. We performed detailed testing of these revenue transactions, including deferred revenue. For a sample of research grants we tested the revenue recognised back to underlying grant agreements to identify any specific performance conditions that were attached to recognition. We also tested a sample of cash received and tested a sample of expenditure to confirm that the funds had been spent in accordance with the requirements of funding. We also tested a sample of donations and agreed that these were recognised in accordance with any performance conditions in the underlying donation agreements with a particular focus on larger individual donations. We also tested a sample back to cash receipt or where cash has not yet been received that the accrual or deferral is appropriate. We also performed income cut-off testing in the month before and after year-end to ensure income was recognised in the correct period No exceptions were noted from our work.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments	
Refer to note 21 (Non-current investments) and note 11 (Investment income). £2.8bn of the group investments are held within CUEF. The valuation of the units, used by the various components of the group in determining their investment valuations is key. In recent years there has been an increase in the value of property related assets, and other investments where judgement is needed when performing valuations. The majority (92.4%) of investments are valued using market data, and are therefore relatively non-judgemental. Investments more subject to judgement are investments in private companies (of which £29m relates to the investment in Cambridge Innovation Capital), direct property investments and interests in property vehicles (together £219m).	For all quoted investments and pooled investments we have obtained confirmations from the custodian. For quoted securities, we have performed independent verification of the prices used for valuation, and noticed no discrepancies. On a sample basis, we obtained confirmations from fund managers for pooled funds, and performed procedures over the reliability of the information received. No exceptions were noted from the work. Investments in direct properties have been valued by a third party valuation expert. We have assessed the competency of the valuers used by management and used internal experts to assess the valuation methodology and review the reasonableness of the year-on-year capital movements. No exceptions were noted from this testing. Included within interests in property vehicles is £24m in relation to the CUEF's interest in two property vehicles. The original investment in these vehicles was made a number of years ago, and management are valuing these interests internally. At 31 July 2018 the valuation of these interests is not significantly sensitive to the assumed value at the end of the arrangement, and therefore we concur with the values used. No exceptions were identified during our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

In relation to scoping our work the following were considered significant components - the University, Cambridge Assessment, Cambridge University Press and the Cambridge University Endowment Fund.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£18.7 million (2017: £18 million).
How we determined it	1% of total income.
Rationale for benchmark applied	As the entity is a not-for-profit organisation, the most suitable benchmark to use for overall group materiality is deemed to be total income. This is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £6.3m - £18.7m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £935,000 (2017: £900,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and University's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Reports and financial statements other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of the Responsibilities of the Council set out on page 57, the Council are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council are responsible for assessing the Group and University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group or University or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the University's statutes; and
- funds provided by the Higher Education Funding Council for England, the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 1 December 2008 to audit the financial statements for the year ended 31 July 2009 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 July 2009 to 31 July 2018.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cambridge

22 November 2018

Statements of comprehensive income

for the year ended 31 July 2018

	Note	Group Year ended 31 July 2018 £m	Group Year ended 31 July 2017 £m	University Year ended 31 July 2018 £m	University Year ended 31 July 2017 £m
Income					
Tuition fees and education contracts	*5*	**295.1**	276.4	**283.0**	263.6
Funding body grants	*6*	**173.6**	178.0	**173.6**	178.0
Research grants and contracts	*7*	**524.9**	466.0	**515.5**	457.5
Examination and assessment services	*8*	**432.5**	411.7	**360.4**	334.8
Publishing services		**313.0**	310.6	**275.6**	277.6
Donations and endowments	*9*	**63.8**	79.1	**62.9**	81.0
Other income	*10*	**142.1**	130.2	**127.2**	106.7
Investment income	*11*	**19.8**	17.9	**16.3**	14.6
Total income	*12*	**1,964.8**	1,869.9	**1,814.5**	1,713.8
Expenditure					
Staff costs	*13*	**849.6**	798.8	**787.4**	738.3
Other operating expenses	*14*	**933.5**	886.4	**845.1**	785.2
Depreciation	*14, 19*	**94.4**	89.9	**93.6**	86.9
Interest and other finance costs	*14, 15*	**33.6**	31.4	**33.5**	31.4
Total expenditure		**1,911.1**	1,806.5	**1,759.6**	1,641.8
Surplus before other gains and losses		**53.7**	63.4	**54.9**	72.0
Gain on investments	*21a, 21b*	**219.0**	407.1	**166.6**	325.9
Surplus before tax		**272.7**	470.5	**221.5**	397.9
Taxation	*16*	**(3.1)**	(4.1)	**(2.2)**	(0.8)
Surplus for the year	*32*	**269.6**	466.4	**219.3**	397.1
Other comprehensive income					
Actuarial gain	*28, 29*	**122.5**	26.3	**122.5**	26.3
Gain/ (loss) arising on foreign currency translation		**(2.9)**	0.1	**(2.3)**	(0.2)
Profit on acquisition of Foundation	*35*	**1.6**	–	**–**	–
Acquisition of non-controlling interest		**–**	(0.5)	**–**	–
Total comprehensive income for the year	*32*	**390.8**	492.3	**339.5**	423.2
Represented by:					
Endowment comprehensive income for the year	*30*	**127.8**	208.7	**112.6**	180.4
Restricted comprehensive income for the year	*31*	**74.3**	49.5	**74.5**	49.0
Unrestricted comprehensive income for the year	*32*	**188.7**	234.1	**152.4**	193.8
		390.8	492.3	**339.5**	423.2

Statements of changes in reserves
for the year ended 31 July 2018

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
Group				
Balance at 1 August 2016	1,519.2	79.2	2,756.4	4,354.8
Surplus for the year ended 31 July 2017	208.7	49.5	207.7	465.9
Other comprehensive income	–	–	26.4	26.4
Total comprehensive income for the year ended 31 July 2017	208.7	49.5	234.1	492.3
Release of restricted capital funds spent in the year ended 31 July 2017	–	(43.2)	43.2	–
Balance at 31 July 2017	**1,727.9**	**85.5**	**3,033.7**	**4,847.1**
Surplus for the year ended 31 July 2018	**127.8**	**74.3**	**67.5**	**269.6**
Other comprehensive income	–	–	**121.2**	**121.2**
Total comprehensive income for the year ended 31 July 2018	**127.8**	**74.3**	**188.7**	**390.8**
Release of restricted capital funds spent in the year ended 31 July 2018	–	**(61.9)**	**61.9**	–
Dividend paid to non-controlling interest	–	–	**(0.5)**	**(0.5)**
Balance at 31 July 2018	**1,855.7**	**97.9**	**3,283.8**	**5,237.4**
University				
Balance at 1 August 2016	1,268.9	78.5	2,527.4	3,874.8
Surplus for the year ended 31 July 2017	180.4	49.0	167.7	397.1
Other comprehensive income	–	–	26.1	26.1
Total comprehensive income for the year ended 31 July 2017	180.4	49.0	193.8	423.2
Release of restricted capital funds spent in the year ended 31 July 2017	–	(43.2)	43.2	–
Balance at 31 July 2017	**1,449.3**	**84.3**	**2,764.4**	**4,298.0**
Surplus for the year ended 31 July 2018	**112.6**	**74.5**	**32.2**	**219.3**
Other comprehensive income	–	–	**120.2**	**120.2**
Total comprehensive income for the year ended 31 July 2018	**112.6**	**74.5**	**152.4**	**339.5**
Release of restricted capital funds spent in the year ended 31 July 2018	–	**(61.8)**	**61.8**	–
Balance at 31 July 2018	**1,561.9**	**97.0**	**2,978.6**	**4,637.5**

Balance sheets as at 31 July 2018

	Note	Group 31 July 2018 £m	Group 31 July 2017 £m	University 31 July 2018 £m	University 31 July 2017 £m
Non-current assets					
Intangible assets and goodwill	*18*	**63.5**	76.6	**62.6**	74.0
Fixed assets	*19*	**2,559.3**	2,488.2	**2,554.6**	2,484.2
Heritage assets	*20*	**70.6**	67.3	**70.6**	67.3
Investment - other investments	*21a*	**2,911.9**	2,766.1	**2,346.7**	2,239.3
Investments - investment property	*21b*	**501.4**	407.1	**501.4**	407.1
		6,106.7	5,805.3	**5,535.9**	5,271.9
Current assets					
Stocks and work in progress	*22*	**47.4**	49.6	**40.8**	43.7
Trade and other receivables	*23*	**418.2**	379.9	**424.2**	369.2
Investments	*24*	**498.9**	344.8	**1,063.3**	873.3
Cash and cash equivalents	*25*	**869.3**	281.3	**815.5**	245.9
		1,833.8	1,055.6	**2,343.8**	1,532.1
Creditors: amounts falling due within one year	*26*	**(1,096.8)**	(896.0)	**(1,651.3)**	(1,404.4)
Net current assets		**737.0**	159.6	**692.5**	127.7
Total assets less current liabilities		**6,843.7**	5,964.9	**6,228.4**	5,399.6
Creditors: amounts falling due after more than one year	*27*	**(949.6)**	(356.3)	**(938.3)**	(345.1)
Pension liabilities	*28*	**(635.1)**	(739.1)	**(631.0)**	(734.1)
Other retirement benefits liabilities	*29*	**(21.6)**	(22.4)	**(21.6)**	(22.4)
Total net assets		**5,237.4**	4,847.1	**4,637.5**	4,298.0
Restricted reserves					
Income and expenditure reserve - endowment	*30*	**1,855.7**	1,727.9	**1,561.9**	1,449.3
Income and expenditure reserve - restricted	*31*	**97.9**	85.5	**97.0**	84.3
Unrestricted reserves					
Income and expenditure reserve - unrestricted	*32*	**3,283.8**	3,033.7	**2,978.6**	2,764.4
Total reserves		**5,237.4**	4,847.1	**4,637.5**	4,298.0

The financial statements on pages 64 to 110 were approved by the Council on 22 November 2018 and signed on its behalf by:

Professor Stephen Toope
Vice-Chancellor

John Shakeshaft
Member of Council

David Hughes
Director of Finance

Consolidated statement of cash flows
for the year ended 31 July 2018

	Note	Group Year ended 31 July 2018 £m	Group Year ended 31 July 2017 £m
Cash flow from operating activities			
Surplus for the year		**269.6**	466.4
Adjustments for non-cash items:			
Depreciation	*14, 19*	**94.4**	89.9
Amortisation of intangible assets	*18*	**33.3**	23.3
Gain on investments		**(217.1)**	(406.5)
Decrease in stocks and work in progress	*22*	**2.2**	3.7
Increase in trade and other receivables		**(38.1)**	(12.3)
Increase in creditors		**23.4**	18.0
Revision of deficit recovery cost recognised in the year	*13, 28*	**4.5**	(1.6)
Other pension costs less contributions payable	*28*	**13.3**	9.4
Other retirement benefit costs less contributions payable	*29*	**(0.2)**	(0.1)
Receipt of donated assets	*20*	**(3.3)**	(0.5)
Currency adjustments		**2.9**	1.4
Adjustments for investing or financing activities:			
Investment income	*11*	**(19.8)**	(17.9)
Interest payable	*15*	**14.8**	13.5
New endowments	*9*	**(21.6)**	(30.4)
Capital grants and donations		**(75.6)**	(77.5)
Share of joint venture and associated net surplus	*10*	**(1.9)**	(0.6)
Gain on the sale of fixed assets	*10*	**(3.9)**	(0.6)
Other		**1.8**	-
Net cash inflow from operating activities		**78.7**	77.6
Cash flows from investing activities			
Capital grants and donations		**75.6**	77.5
Proceeds from sales of fixed assets		**8.8**	1.5
Proceeds from sales of other non-current asset investments		**185.5**	317.7
Net disposals of other current asset investments		**(12.0)**	0.1
Investment income	*11*	**19.8**	17.9
Payments made to acquire intangible assets	*18*	**(20.6)**	(24.8)
Payments made to acquire fixed assets		**(230.6)**	(314.1)
Payments made to acquire heritage assets	*20*	**-**	(1.7)
Payments made to acquire other non-current asset investments		**(81.2)**	(69.2)
Acquisition of non-controlling interest	*32*	**-**	(0.5)
Dividend payment to non-controlling interest	*32*	**(0.5)**	-
Payments made re North West Cambridge development costs		**(48.1)**	(109.6)
Net cash outflow from investing activities		**(103.3)**	(105.2)
Cash flows from financing activities			
New endowments	*9*	**21.6**	30.4
Bond proceeds		**593.6**	-
Interest paid		**(13.8)**	(13.4)
Capital element of finance lease repayments	*26, 27*	**(1.3)**	(1.3)
Repayments of loans	*26, 27*	**(1.5)**	(1.1)
Net cash inflow from financing activities		**598.6**	14.6
Increase/ (reduction) in cash and cash equivalents in the year		574.0	(13.0)
Cash and cash equivalents at beginning of the year		281.3	294.3
Cash and cash equivalents at end of the year		855.3	281.3
Represented by:			
Cash and cash equivalent assets	*25*	869.3	281.3
Bank overdrafts	*26*	(14.0)	-
		855.3	281.3

Notes to the accounts
for the year ended 31 July 2018

1. General information

The Chancellor, Masters, and Scholars of the University of Cambridge (the University) is a common law corporation, governed by its Statutes and Ordinances together with applicable United Kingdom and European Union legislation. The University is a public benefit entity and an exempt charity subject to regulation by the Office for Students (OfS) and formerly the Higher Education Funding Council for England (HEFCE) under the *Charities Act 2011*.

The contact address is: University of Cambridge, The Old Schools, Trinity Lane, Cambridge, CB2 1TN, UK.

The principal activities of the University and its subsidiary undertakings are teaching, research, and related activities which include: publishing services; examination and assessment services; the operation of museums, libraries, and collections; and the commercialisation of intellectual property generated within the University.

2. Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), including the public benefit entity requirements of FRS 102, and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the SORP). The statement of comprehensive income includes captions additional to those specified by the SORP in order to present an appropriate overview for the specific circumstances of the University.

3. Statement of significant accounting policies

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The Group has taken advantage of exemptions in FRS 102:

- from preparing a statement of cash flows for the University, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the University's cash flows; and
- from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, in relation to the University, as the information is provided in the consolidated financial statement disclosures.

The preparation of financial statements requires judgement in the process of applying the accounting policies and the use of accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed at the end of these policies.

b. Going concern

The Council has a reasonable expectation that the University has adequate resources to continue to operate for the foreseeable future. In forming this view the Council notes that the University:

- undertakes a robust and detailed annual business planning and budgeting process, including preparation of a five year financial sustainability review in line with Office for Students OfS guidance and as such the going concern nature of the University has been considered for a period of greater than twelve months from the date of approval of the financial statements;
- applies prudent financial and cash management in order to ensure that its day to day working capital needs can be met out of cash and liquid investments; and
- has considered the potential impact of credit risk and liquidity risk detailed in note 39.

For these reasons, the University continues to adopt the going concern basis in preparing its financial statements.

c. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings, details of which are given in note 35. Intra-group transactions and balances are eliminated on consolidation.

The results of subsidiaries acquired or disposed of in the current or prior years are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been adopted for subsidiary undertakings. Amounts attributable to non-controlling interests represents the share of profits on ordinary activities attributable to the interest of equity shareholders in subsidiaries which are not wholly owned by the University.

The University accounts for its share of joint ventures using the equity method. A joint venture is an entity in which the University, or its subsidiaries, holds an interest on a long-term basis and is jointly controlled by the University or its subsidiaries and one or more other entities under a contractual agreement.

The University accounts for jointly controlled assets and operations based upon its share of costs incurred and recognises its share of liabilities incurred. Income and expenditure is recognised based upon the University's share.

Investments in subsidiaries and joint ventures are accounted for at the lower of cost or net realisable value.

The consolidated financial statements do not include the accounts of the 31 Colleges in the University ('the Colleges'), each of which is an independent corporation. Transactions with the Colleges are disclosed in note 37.

The consolidated financial statements do not include the accounts of Cambridge University Students' Union or of the Cambridge University Graduate Union, as these are separate bodies in which the University has no financial interest and over whose policy decisions it has no control.

d. Foreign currencies

The Group's financial statements are presented in pounds sterling and in millions.

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Where foreign branches and subsidiary undertakings accounting in foreign currencies operate as separate businesses, all their assets and liabilities are translated into sterling at year-end rates and the net effect of currency adjustments is included in other comprehensive income. Otherwise, monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and translation differences are included in income or expenditure.

e. Recognition of income

Revenue

Income arising from the sale of goods or the provision of services is recognised in income on the exchange of the relevant goods or services and where applicable is shown net of value added taxes, returns, discounts and rebates as appropriate. In particular:

Tuition fees and education contracts

Tuition fees for degree courses are charged to students by academic term. Income is recognised for academic terms falling within the period. For short courses, income is recognised to the extent that the course duration falls within the period. Professional course fees and other educational contract revenues are recognised in line with the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

Examination and assessment services

Income from examination session-based assessments is recognised when services are rendered and substantially complete. Income from qualifications not based on examination sessions is recognised in proportion to the number of modules required for the qualification that have been achieved by candidates.

Publishing services

Income is recognised when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Press retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the Press; and (e) when the specific criteria relating to each of the relevant sales channels has been met. In the case of books and other print publications this is usually shipping terms or upon delivery of goods to the customer. Income generated from electronic publishing, including the provision of perpetual access, is recognised when the material is initially made available otherwise it is spread evenly over the contract terms. Subscriptions income is recognised evenly over subscription periods. Journals income is recognised when the journals are published and shipped, with the exception of digital elements whereby revenue is recognised when content is made available. Rights and permissions income is recognised on a cash receipt basis. Income in respect of certain co-publishing arrangements is recognised upon the printing of content by the co-publishing partner. Income in respect of project-based contract work is recognised on the basis of progress (percentage of completion), being the ratio of costs incurred at the measurement date and the total expected costs for the programme.

Grant income

All grant funding, including OfS and HEFCE grants, research grants, and capital grants, from government and other sources, is recognised in income when the University is entitled to the funding and any performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met. Research and development expenditure credits receivable from HM Revenue & Customs are recognised as income when the relevant expenditure has been incurred and there is reasonable assurance of receipt.

3. Statement of significant accounting policies (continued)

Donations and endowments

Donations and endowments are recognised in income when the University is entitled to the funds.

Donations are credited to endowment reserves, restricted reserves, or unrestricted reserves depending on the nature and extent of restrictions specified by the donor:

Donations with no substantial restrictions are included in unrestricted reserves.

Donations which are to be retained for the future benefit of the University are included in endowment reserves. Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the University, the fund is classified as an unrestricted permanent endowment.
- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.
- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the University must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

Other donations with substantially restricted purposes are included in restricted reserves until such time as the restrictions have been met.

Investment income

Investment income is recognised in income in the period in which it is earned.

f. Employee benefits

Short term benefits

Short term employment benefits including salaries and compensated absences are recognised as an expense in the period in which the service is rendered to the University. A liability is recognised at each balance sheet date for unused employee holiday allowances with the corresponding expense recognised in staff costs in the statement of comprehensive income.

Pension costs

The University contributes to a number of defined benefit pension schemes for certain employees. A defined benefit scheme defines the pension benefit that an employee will receive on retirement, dependent upon several factors including length of service and remuneration.

a. Where the University is unable to identify its share of the underlying assets and liabilities in a multi-employer scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year. Where the University has entered into an agreement with such a multi-employer scheme that determines how the University will contribute to a deficit recovery plan, the University recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised in expenditure.

b. For other defined benefit schemes, the net liability recognised in the balance sheet in respect of each scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the University engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments.

The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the University's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

3. Statement of significant accounting policies (continued)

Further detail is provided on the specific pension schemes in note 34 to the accounts.

g. Intangible assets and goodwill

Software development and acquisition costs are capitalised and amortised on a straight line basis over its estimated useful life of between four and ten years. Goodwill arises on consolidation and is based on the fair value of the consideration given for the subsidiary and the fair value of its assets at the date of acquisition. Goodwill is amortised over its estimated economic life of between five and ten years on a straight line basis.

The carrying value of intangible assets including goodwill is considered in light of events or changes in circumstances which may indicate that the carrying value may not be recoverable. Where there is impairment in the carrying value of these assets, the loss is included in the results of the period.

h. Fixed assets

Land and buildings

Operational land and buildings are included in the financial statements using the FRS 102 fair value at 1 August 2014 as deemed cost, with subsequent additions at cost.

No depreciation is provided on freehold land. Freehold buildings are written off on a straight line basis over their estimated useful lives, which are between 15 and 60 years, and leasehold properties are written off over the length of the lease.

Assets under construction

Assets under construction are stated at cost. These assets are not depreciated until they are available for use. Financing costs are not capitalised as part of additions to fixed assets.

Equipment

Equipment costing less than £30,000 per individual item is typically written off in the year of purchase. All other equipment is capitalised and depreciated so that it is written off on a straight line basis over its estimated useful life of between three and ten years.

i. Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts, and other assets of historical, artistic, or scientific importance. Heritage assets acquired before 1 August 1999 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 August 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. In line with the accounting policy in respect of equipment, the threshold for capitalising assets is £30,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

j. Investments

Non-current investments are included in the balance sheet at fair value, except for investments in subsidiary undertakings and joint ventures which are stated in the University's balance sheet at cost and eliminated on consolidation. All gains and losses on investment assets are recognised in the statement of comprehensive income as they accrue.

Other investments

Marketable securities are valued at mid-market valuation on 31 July. Investments in spin-out companies are valued in accordance with the International Private Equity and Venture Capital Guidelines, and other non-marketable securities are included at valuation by the Council. Current asset investments are included in the balance sheet at the lower of cost and net realisable value.

Investment properties

After initial recognition at cost, investment property shall be measured at fair value at each reporting date with changes in fair value recognised in the statement of comprehensive income.

The North West Cambridge development is subject to an annual valuation based on net discounted projected rental and other revenue driven cash flows after relevant expenditure has been deducted. The cash flow model used for 2017-18 has been developed internally but utilises land valuations provided by an independent valuer, Savills.

Other properties held for investment purposes are valued annually on the basis of estimated open market values on an existing use basis by Knight Frank or, in the case of local non-operational properties, by chartered surveyors employed by the University. Recent transfers of operational assets to investment properties have been valued on a combination of estimated open market values and projected rental streams adjusted for any restrictions in use. These valuations have been provided by external valuers, Gerald Eve.

k. Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items. In respect of publishing services, (a) direct costs incurred prior to publication are included in stocks and work in progress and are written off over a period of up to three years from the publication date; and (b) the

3. Statement of significant accounting policies (continued)

University makes full provision against the cost of stock in excess of one and a half times the most recent year's sales on all publications dated more than two years before the reporting date.

l. Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand, and bank overdrafts. Deposits are repayable on demand if they are in practice available on call without penalty. Bank overdrafts are shown within borrowings in current liabilities.

Cash equivalents are short-term (typically with less than three months notice required) highly liquid investments which are readily convertible into cash and include deposits and other instruments held as part of the University's treasury management activities.

m. Financial instruments

The University has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments.

Financial assets

Basic financial assets include trade and other receivables, cash and cash equivalents. These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments is not publicly traded and where the fair value cannot be reliably measured the assets should be measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities include trade and other payables, bank loans and inter-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

The University has debt instruments through:

- ***long term unsecured fixed interest Bonds issued in October 2012 and June 2018 and listed on the London Stock Exchange.*** The Bonds were 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. Under this method the discount at which the Bonds were issued and the transaction costs are accounted for as additional expense over the term of the Bonds (see note 27); and
- ***long term unsecured CPI-linked Bonds issued in June 2018 and listed on the London Stock Exchange.*** These Bonds are deemed to be complex financial instruments and so are initially recognised at fair value at the transaction date and subsequently re-measured to their fair value at the reporting date. For financial instruments that are subsequently re-measured at fair value through profit or loss, transaction costs (net of any fees paid or received) are not added to or deducted from the amount initially recognised, instead they are expensed immediately on initial recognition.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

3. Statement of significant accounting policies (continued)

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

To the extent that the University enters into forward foreign exchange contracts which remain unsettled at the balance sheet date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts. Subsequent valuations are considered on the basis of the forward rates for those unsettled contracts at the balance sheet date. The University does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

n. Related party transactions

The University discloses transactions with related parties which are outlined in detail in note 36 to the accounts.

o. Segment information

The University operates in a number of different classes of business. For the purpose of segmental reporting, classes of business have been identified by reference to the nature of activity, the nature of funding, and the management organisation (see note 17).

p. Lease commitments

The University assesses agreements that transfer the right to use assets. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of an asset. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

4. Critical accounting judgements, estimates, and assumptions

Management is required to adopt those accounting policies most appropriate to the circumstances for the purposes of presenting fairly the Group's financial position, financial performance, and cash flows. The preparation of the Group and University's financial statements requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates, and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

i. Revenue recognition

Revenues are subject to judgement over when and by how much revenues should be recognised in the financial statements. This includes determining when performance criteria have been met, recognising research and other funding revenues in line with expenditure once a right to the funding is deemed to have arisen, determining the revenues associated with partially delivered courses and training where the activities have not been fully completed at the reporting date.

ii. Depreciation and amortisation

The depreciation and amortisation expense is the recognition of the use of the asset over its estimated useful life. Judgements are made as to the estimated useful lives of the assets and associated residual values which may be impacted by changes in economic or technological circumstances.

iii. Investment valuations (note 11)

The Cambridge University Endowment Fund is comprised of a range of asset investment categories where there is not always a clearly observable valuation basis available.

Investments which are not listed or which are not frequently traded are stated at the Valuation Committee's best estimate of fair value. With respect to investments held through pooled funds or partnerships, reliance is placed on unaudited valuations of the underlying listed and unlisted investments as supplied to the CUEF custodian by the administrators of those funds or partnerships. The principles applied by the administrators to those

4. Critical accounting judgements, estimates, and assumptions (continued)

valuations are reviewed to ensure they are in compliance with CUEF policies. With respect to other investments, recognised valuation techniques are used, that may take account of any recent arm's length transactions in the same or similar investment instruments. Where however no reliable fair value can be estimated, investments are stated at cost.

iv. Valuation of investment properties

Properties held for investment purposes are revalued annually by accredited valuers on the basis of estimated open market values on an existing use basis. Such valuations are based on assumptions and judgements which are impacted by a variety of factors including changes in market and other economic conditions.

North West Cambridge is subject to an annual valuation based on net discounted projected rental and other revenue driven cash flows after relevant expenditure has been deducted. The valuation is based on assumptions and judgements which may have a material impact on the fair value of the assets. In particular, rental growth rate assumptions, which may be impacted by changes in market and other economic conditions, have a significant impact on the valuations as determined. The cash flow model used for the valuation is forward-looking and excludes the costs of construction, which are deemed sunk costs.

v. Defined benefit pension schemes and funding of pension deficits (note 28)

The University has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy; salary increases; asset valuations; and the discount rate on corporate bonds. Based on actuarial advice provided, management estimate these factors to determine the net pension obligation in the balance sheet.

Additionally, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. The deficit recovery plan currently in place relates to the 2014 actuarial valuation. The 2017 actuarial valuation has not yet formally completed. Whilst management consider that it remains appropriate to continue to account for the past deficit in accordance with the plan agreed after the 2014 actuarial valuation, there is a significant risk that the year end provision will increase substantially following the final outcome of the 2017 actuarial valuation.

vi. Provisions

General and specific provisions are made for stock obsolescence including slow moving or defective items and bad debts based on a combination of management's best estimates, historical experience, customer and product specific knowledge, and formula based calculations.

		Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
5	**Tuition fees and education contracts**				
	Full-time home / EU students	**129.2**	131.9	**129.2**	131.9
	Full-time overseas (non-EU) students	**105.8**	87.1	**105.8**	87.1
	Other course fees	**30.9**	28.5	**18.8**	15.7
	Research Training Support Grants	**29.2**	28.9	**29.2**	28.9
		295.1	276.4	**283.0**	263.6
6	**Funding body grants**				
	Office for Students (OfS)				
	Recurrent grant: teaching	**18.0**	17.9	**18.0**	17.9
	Recurrent grant: research	**121.7**	121.9	**121.7**	121.9
	Recurrent grant: museum funding	**2.1**	–	**2.1**	–
	Other revenue grants	**8.3**	7.3	**8.3**	7.3
	Total revenue grants	**150.1**	147.1	**150.1**	147.1
	Capital grants recognised in the year	**23.5**	30.9	**23.5**	30.9
		173.6	178.0	**173.6**	178.0
7	**Research grants and contracts**				
	Research councils	**174.9**	146.8	**174.9**	146.8
	UK based charities	**152.7**	142.4	**152.5**	142.4
	European Commission	**56.0**	59.2	**56.0**	59.2
	UK industry	**21.0**	18.9	**19.6**	18.9
	UK Government	**49.0**	46.1	**48.7**	46.1
	Other bodies	**71.3**	52.6	**63.8**	44.1
		524.9	466.0	**515.5**	457.5

Total research grants and contracts income includes grants of £20.1m (2017: £8.0m) towards the cost of buildings and £22.2m (2017: £26.7m) for the purchase of equipment.

		Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
8	**Examination and assessment services**				
	Examination fees	**386.0**	371.1	**315.8**	296.3
	Other examination and assessment services	**46.5**	40.6	**44.6**	38.5
		432.5	411.7	**360.4**	334.8
9	**Donations and endowments**				
	New endowments	**21.6**	30.4	**21.6**	30.4
	Donations of, and for the purchase of, fixed assets	**6.6**	10.2	**6.6**	10.2
	Donations of, and for the purchase of, heritage assets	**3.0**	1.7	**3.0**	1.7
	Other donations with restrictions	**23.0**	25.4	**14.5**	18.0
	Donations from subsidiary companies	**–**	–	**7.6**	10.5
	Unrestricted donations	**9.6**	11.4	**9.6**	10.2
		63.8	79.1	**62.9**	81.0

Included within donations from subsidiary companies is £0.8m relating to capital donations received for the purchase of fixed assets.

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
10 Other income				
Other services rendered	**48.9**	44.5	**40.8**	37.2
Health and hospital authorities	**20.4**	20.5	**20.4**	20.5
Residences, catering, and conferences	**11.8**	12.7	**11.8**	12.7
Income from intellectual property	**12.0**	16.7	**4.2**	4.3
Rental income	**15.7**	9.5	**15.4**	9.5
Grants received (other than those included in notes 6 and 7 above)	**5.2**	4.8	**3.8**	3.7
Research and Development Expenditure Credit (RDEC) receivable before deduction of tax	**0.6**	–	**0.6**	–
Surplus on disposal on fixed assets	**3.9**	0.7	**3.9**	0.3
Share of operating surplus in associates and joint ventures	**1.9**	0.6	–	–
Sundry income	**21.7**	20.2	**26.3**	18.5
	142.1	130.2	**127.2**	106.7

Other services rendered includes externally generated sales across a wide variety of activities such as University staff and equipment charged out on external projects, the provision of veterinary services, farming sales (crop and milk), and restoration services.

RDEC has previously been 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 16). The University is not eligible to claim for RDEC in relation to expenditure incurred on or after 1 August 2015. Income received in the current year relates to additional claims made in respect of prior periods.

11 Investment income

The majority of investment income relates to investment returns generated by the Cambridge University Endowment Fund (CUEF). The CUEF is a unitised fund constituted by Trust Deed with the University as sole trustee holding the property of the CUEF on trust for unit holders. Unit holders are the University, a number of its subsidiary undertakings and also UK charities associated with the University (such as Colleges and trusts) provided they meet the necessary eligibility requirements. The University operates the fund through its wholly-owned subsidiary, Cambridge Investment Management Limited, to deliver long-term investment in respect of individual restricted endowments and other balances. The CUEF is managed on a total return basis (i.e. income and net capital gains) and invests in asset classes some of which generate little or no income. Distributions are made to unit holders according to a formula which has regard to the total return reasonably to be expected in the long term, in proportion to the number of units held. Unit holders receive distributions as income.

However, the distributions made to unit holders are funded through both investment income generated on the underlying CUEF assets and an element by drawing on the long-term capital growth of the investments. Accordingly, for the purposes of reporting in the financial statements, it is only the investment income (dividends, interest, rental income etc.) received on the underlying CUEF assets which is treated as investment income. The distributions relating to capital growth are reflected in the statement of comprehensive income as a 'gain on investments' and in the balance sheet in non-current asset investments, 'valuation gain on investment'. For the year ended 31 July 2018 distributions by the CUEF which were funded by drawing on the long-term capital gain in the investments were £79.1m (2017: £78.0m) with the balance of the distributions funded by and reported as investment income. This split is outlined in more detail below:

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Income from non-current asset investments:				
Distributions credited to unit holders as income	**97.0**	94.0	**73.5**	76.0
Less: distributed from long-term capital gain	**(79.1)**	(78.0)	**(63.5)**	(63.1)
Investment income on underlying assets reported per the financial statements	**17.9**	16.0	**10.0**	12.9
Income from current asset investments and cash equivalents	**1.9**	1.9	**6.3**	1.7
Total investment income	**19.8**	17.9	**16.3**	14.6

11 Investment income (continued)

Credited to:

Group	Total distributions to unit holders 2018 £m	Amounts distributed from capital 2018 £m	Investment income 2018 £m	Investment income 2017 £m
Permanent endowment reserves	**40.8**	**(38.3)**	**2.5**	0.8
Expendable endowment reserves	**17.0**	**(14.1)**	**2.9**	2.3
Restricted reserves	**0.9**	**(0.6)**	**0.3**	0.1
Unrestricted reserves	**40.2**	**(26.1)**	**14.1**	14.7
	98.9	**(79.1)**	**19.8**	17.9
University				
Permanent endowment reserves	**40.6**	**(38.2)**	**2.4**	0.8
Expendable endowment reserves	**7.7**	**(6.3)**	**1.4**	1.2
Restricted reserves	**0.9**	**(0.6)**	**0.3**	0.1
Unrestricted reserves	**30.6**	**(18.4)**	**12.2**	12.5
	79.8	**(63.5)**	**16.3**	14.6

Further detail on the asset categories held by the CUEF are outlined below:

	31 July 2018 £m	%	31 July 2017 £m	%
Public equity	**1,887.6**	**58.1%**	1,758.6	59.0%
Private investment	**297.0**	**9.1%**	395.4	13.2%
Absolute return	**309.1**	**9.5%**	353.0	11.8%
Credit	**183.3**	**5.6%**	11.8	0.4%
Real assets	**348.9**	**10.7%**	337.2	11.3%
Fixed interest / cash	**226.9**	**7.0%**	128.4	4.3%
Total value of fund	**3,252.8**	**100.0%**	2,984.4	100.0%

Public equity includes all equity stocks traded on a liquid market, together with related non-publically traded 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 include both unlisted equities and corporate credits (such as bonds, loans, and other claims).

Absolute return includes investments in trading strategies which are in 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 in 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.

11 Investment income (continued)

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 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Non current asset investments (see note 21)	**2,824.6**	2,689.6	**2,260.2**	2,161.1
Current asset investments (see note 24) - balances held on behalf of:				
Subsidiary undertakings	**–**	–	**564.4**	528.5
Colleges	**411.6**	277.3	**411.6**	277.3
Other associated bodies	**16.6**	17.5	**16.6**	17.5
Total included in current asset investments	**428.2**	294.8	**992.6**	823.3
Total value of units	**3,252.8**	2,984.4	**3,252.8**	2,984.4

12 Total income

Consolidated total income of £1,964.8m is credited to reserves as follows:

	Group year ended 31 July 2018			Group year ended 31 July 2017		
	Endowments £m	**Restricted £m**	**Unrestricted £m**	Endowments £m	Restricted £m	Unrestricted £m
Tuition fees and education contracts	–	–	**295.1**	–	–	276.4
Funding body grants	–	**23.5**	**150.1**	–	30.9	147.1
Research grants and contracts	–	**38.5**	**486.4**	–	7.6	458.4
Research and Development Expenditure Credit receivable	–	–	**0.6**	–	–	–
Examination and assessment services	–	–	**432.5**	–	–	411.7
Publishing services	–	–	**313.0**	–	–	310.6
Donations and endowments	**21.6**	**33.2**	**9.0**	30.4	29.3	19.4
Other income	–	**5.2**	**136.9**	–	4.8	125.4
Investment income	**5.4**	**0.3**	**13.5**	3.1	0.1	14.7
	27.0	**100.7**	**1,837.1**	33.5	72.7	1,763.7

Consolidated total income of £1,964.8m is attributable as follows to the three broad categories defined by FRS 102: revenue, government grants, and non-exchange transactions:

	Revenue £m	**Government grants £m**	**Non-exchange transactions £m**	Revenue £m	Government grants £m	Non-exchange transactions £m
Tuition fees and education contracts	**265.9**	**29.2**	–	247.5	28.9	–
Funding body grants	–	**173.6**	–	–	178.0	–
Research grants and contracts	–	**279.9**	**245.0**	–	252.1	213.9
Research and Development Expenditure Credit receivable	–	**0.6**	–	–	–	–
Examination and assessment services	**432.5**	–	–	411.7	–	–
Publishing services	**313.0**	–	–	310.6	–	–
Donations and endowments	–	–	**63.8**	–	–	79.1
Other income	**108.8**	**5.2**	**27.5**	103.9	4.8	21.5
Investment income	**19.8**	–	–	17.9	–	–
	1,140.0	**488.5**	**336.3**	1,091.6	463.8	314.5

13 Staff costs

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Wages and salaries	**640.1**	606.0	**587.3**	555.3
Social security costs	**67.7**	61.9	**63.0**	58.0
Pension costs:				
Current service cost	**137.3**	132.4	**131.9**	126.2
Change in underlying assumptions in calculating USS deficit recovery provision (see note 28)	**4.5**	(1.5)	**5.2**	(1.2)
Total pension costs (see note 34)	**141.8**	130.9	**137.1**	125.0
	849.6	798.8	**787.4**	738.3
The average number of staff employed in the year, expressed as full-time equivalents, was:	**16,376**	15,989		

Remuneration and pay ratios of the Vice-Chancellors

The approach to Vice-Chancellor pay has been to set a common rate for the job which is sensitive to the decisions taken by Council but which also demonstrates the value attached to the Vice-Chancellorship by the University. With the inclusion of Cambridge University Press, Cambridge Assessment, subsidiary undertakings and associated Trusts, the University has an annual group income of almost £2bn and over 16,000 staff. This makes Cambridge one of the largest universities in the UK, and one with a significant global presence. Consequently, the Remuneration Committee undertake detailed analysis of comparable salaries in the UK, North America and Australia in setting the remuneration of the Vice-Chancellor. This was last undertaken in 2016-17 prior to the recruitment of the current Vice-Chancellor, where the salary was set within the financial limit set by the Council for the cost of the total package.

1. Current Vice-Chancellor

The remuneration of the current Vice-Chancellor is detailed in the table below and relates to the period of office from 1 October 2017 to 31 July 2018, and also includes salary for an additional month (September 2017) as Vice-Chancellor Elect.

	2018 £000	2017 £000
Salary for the period	**335**	-
Deductions to reflect salary sacrifice arrangements	**(8)**	-
Net salary paid in the year	**327**	-
Taxable benefits in kind	**12**	-
Non-taxable benefits in kind	**33**	-
Total excluding employer pension contributions	**372**	-
Employer pension contributions	**19**	-
Payments made in lieu of pension	**37**	-
	428	-

The salary for the period is the basic contracted salary before adjusting for salary sacrifice arrangements under which, in common with other employees, the Vice-Chancellor sacrificed an amount of pay relating to enhanced opt-out benefits for Death in Service and Ill Health. The employer pension contributions reflect both the employer payments for these benefits over to the Universities Superannuation Scheme and the Vice-Chancellor's contribution of £8k.

Taxable benefits in kind include relocation expenses of £5,922, private healthcare of £1,902, accommodation costs (heating, lighting and maintenance) of £2,308 and tax consultancy services of £1,486. Non-taxable benefits include the provision of accommodation valued at market rental for a similar property by an independent valuer pro-rated to reflect only the personal usage of the property as opposed to business and entertaining usage (£16,668), relocation flight travel (£7,320) and personal flight travel (£8,890).

Pay ratios:

(a) The Vice-Chancellor's basic salary is 11.3 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The ratio reflects the full year basic salary equivalent for the Vice-Chancellor.

(b) The Vice-Chancellor's total remuneration is 12.4 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the total remuneration paid by the University to its staff. The ratio reflects the full year remuneration equivalent for the Vice-Chancellor.

The median pay calculation reflects over 1,100 agency staff employed on temporary contracts through the University's Temporary Employment Services (TES).

13 Staff costs (continued)

2. Previous Vice-Chancellor

The remuneration of the previous Vice-Chancellor is detailed in the table below and relates to the period of office from 1 August 2017 to 30 September 2017. The comparative year relates to the period 1 August 2016 to 31 July 2017:

	2018 £000	2017 £000
Salary for the period	59	343
Deductions to reflect salary sacrifice arrangements	–	–
Net salary paid in the year	59	343
Taxable benefits in kind	4	12
Non-taxable benefits in kind	–	17
Total excluding employer pension contributions	63	372
Employer pension contributions	1	7
Payments made in lieu of pension	–	–
	64	379

Taxable benefits in kind for 2017-18 include accommodation costs of £3,000 and utilities (heating, lighting and maintenance costs) of £583. Non-taxable benefits in 2016-17 include the personal usage element of the provision of accommodation of £16,667.

Pay ratios:

(a) The Vice-Chancellor's basic salary is 11.0 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The ratio reflects the full year basic salary equivalent for the Vice-Chancellor.

(b) The Vice-Chancellor's total remuneration is 9.9 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the total remuneration paid by the University to its staff. The ratio reflects the full year remuneration equivalent for the Vice-Chancellor.

13 Staff costs (continued)

Basic salary bandings for higher paid staff

The number of staff (FTE's) with a basic salary in excess of £100,000 per annum, before salary sacrifice arrangements is outlined below:

	2018	2017
£100,001 - £105,000	**89**	92
£105,001 - £110,000	**48**	32
£110,001 - £115,000	**33**	36
£115,001 - £120,000	**30**	22
£120,001 - £125,000	**22**	22
£125,001 - £130,000	**11**	12
£130,001 - £135,000	**19**	12
£135,001 - £140,000	**7**	7
£140,001 - £145,000	**8**	9
£145,001 - £150,000	**9**	9
£150,001 - £155,000	**9**	5
£155,001 - £160,000	**1**	1
£160,001 - £165,000	**5**	2
£165,001 - £170,000	**1**	3
£170,001 - £175,000	**3**	3
£175,001 - £180,000	**2**	2
£180,001 - £185,000	**1**	1
£185,001 - £190,000	**1**	1
£190,001 - £195,000	**2**	1
£195,001 - £200,000	**1**	3
£200,001 - £205,000	**2**	1
£205,001 - £210,000	**-**	-
£210,001 - £215,000	**-**	-
£215,001 - £220,000	**1**	-
£220,001 - £225,000	**-**	-
£225,001 - £230,000	**1**	-
£230,001 - £235,000	**-**	1
£235,001 - £240,000	**1**	2
£240,001 - £245,000	**1**	-
£245,001 - £250,000	**1**	-
£250,001 - £255,000	**1**	2
£325,001 - £330,000	**1**	-
£330,001 - £335,000	**2**	-
£340,001 - £345,000	**-**	2
£365,001 - £370,000	**1**	1
£405,001 - £410,001	**-**	1

The above statistics include staff engaged in business and commercial activities, including those of Cambridge Assessment and Cambridge University Press.

Compensation for loss of office

Aggregate payments for compensation for loss of office were paid to 67 members of staff in 2017-18 (120 in 2016-17):	2018 £000	2017 £000
Payments in respect of loss of office	**2,119**	2,812

Key management personnel

	2018	2017
The total remuneration of both Vice-Chancellors, the Pro-Vice-Chancellors, Chief Financial Officer and Registrary for the year (or part thereof), comprising salary and benefits (taxable and non taxable), employer pension contributions and before salary sacrifice arrangements, was:	**2,025**	1,535

14 Analysis of consolidated expenditure by activity

	Staff costs £m	Other operating expenses £m	Depreciation £m	Interest payable £m	2018 Total £m	2017 Total £m
Academic departments	251.9	76.7	9.4	–	338.0	322.5
Academic services	33.3	13.6	0.8	–	47.7	45.6
Payments to Colleges (see note 37)	–	70.1	–	–	70.1	67.3
Research grants and contracts	223.9	186.7	24.7	–	435.3	392.9
Other activities:						
Examination and assessment services	125.6	212.4	9.6	0.2	347.8	335.7
Publishing services	104.5	186.1	4.0	2.9	297.5	298.9
Other services rendered	15.1	26.1	0.1	–	41.3	40.4
Intellectual property	3.7	2.4	0.1	–	6.2	8.0
Residences, catering and conferences	2.7	11.8	–	–	14.5	14.6
Other activities total	251.6	438.8	13.8	3.1	707.3	697.6
Administration and central services:						
Administration	58.1	8.8	–	–	66.9	56.2
General educational	2.3	58.0	0.1	–	60.4	58.6
Staff and student facilities	3.1	1.1	–	–	4.2	4.0
Development office	6.1	6.8	–	–	12.9	11.9
Other	0.6	0.3	–	–	0.9	4.0
Administration and central services total	70.2	75.0	0.1	–	145.3	134.7
Premises	16.1	72.6	45.6	–	134.3	123.6
Interest payable on bond liabilities	–	–	–	14.8	14.8	13.2
Pension cost adjustments for USS	(3.5)	–	–	2.3	(1.2)	(7.4)
Pension cost adjustments for CPS (see note 34)	6.1	–	–	13.4	19.5	16.5
Total per income and expenditure account	849.6	933.5	94.4	33.6	1,911.1	1,806.5

Other operating expenses include:	Group 2018 £000	Group 2017 £000
Auditors' remuneration		
Audit fees payable to the Group's external auditors	1,140	882
Other fees payable to the Group's external auditors	159	23
Audit fees payable to other firms (in respect of certain Trusts and subsidiary undertakings)	47	22
Payments to trustees		
Reimbursement of expenses to two (2017: two) external members of Council	4	6

There were no other payments made to trustees for their services to the University.

These amounts include related irrecoverable VAT.

15 Interest and other finance costs

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Interest payable and other finance costs on bond liabilities (see note 27)	14.8	13.2	14.8	13.2
Interest on pension liabilities (see note 28)	18.2	17.3	18.1	17.3
Interest paid on other retirement benefit liabilities (see note 29)	0.6	0.6	0.6	0.6
Other interest payable	–	0.3	–	0.3
	33.6	31.4	33.5	31.4

Interest payable and other finance costs on bond liabilities can be analysed as follows:

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Bond liabilities - unsecured 2012 (Fixed interest)	13.2	13.2	13.2	13.2
Bond liabilities - unsecured 2018 (Fixed interest)	0.7	–	0.7	–
Bond liabilities - unsecured 2018 (Index-linked)	0.9	–	0.9	–
	14.8	13.2	14.8	13.2

For further details on these bond liabilities see note 27.

16 Taxation

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
UK Corporation Tax	0.1	–	0.1	–
Foreign taxes	3.0	4.1	2.1	0.8
	3.1	4.1	2.2	0.8

The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. As such it is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly 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 and Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Most of the University's principal activities are exempt from Value Added Tax 'VAT', but certain activities and other ancillary supplies and services are liable to VAT at various rates. Expenditure includes VAT charged by suppliers to the University where it is not recoverable and is likewise included in the cost of fixed assets.

Commercial trading activities undertaken by the University are operated through its subsidiary companies. This income will attract applicable VAT and the profits are liable to Corporation Tax. However, the taxable profits made by these companies are covenanted to the University and paid under Gift Aid which negates the liability.

Due to its exempt charity status the tax charge for UK Corporation Tax is solely in respect of Research and Development Expenditure Credit grants received in 2017-18 (see note 10 above). The foreign taxes for the University includes foreign income tax paid on overseas trademark licence income and taxes on overseas activities primarily associated with publishing activities.

The Group operates across a variety of different geographical locations with activities which are subject to local tax and regulatory compliance requirements. As such the Group is exposed to a number of tax risks. The tax charge does not reflect assessments to overseas tax of approximately £5m which the Group expects to contest successfully.

17 Segment information

The group's reportable segments are:

Higher Education Institution (HEI)	Teaching and research undertaken by the University
Assessment	Examination and assessment services, carried out by the University of Cambridge Examinations Syndicate and subsidiary undertakings, collectively known as Cambridge Assessment
Press	Publishing services, carried out by the Cambridge University Press Syndicate and subsidiary undertakings
Cambridge University Endowment Fund (CUEF)	The investment fund managed by the group and holding the majority of the group's investments together with some investments of Colleges and other associated bodies (see note 11)
Trusts and other	The combination of smaller segments including the associated trusts and subsidiary companies not included in the Assessment and Press groups

17 Segment information (continued)

The Council monitors the results of operating segments separately for the purposes of assessing performance and making decisions about the allocation of resources. Segment performance is evaluated based on reported surplus. The Press segment reports for financial years ending 30 April. CUEF reports for financial years ending 30 June and focuses on total return as the measure of income and surplus. The segment information presented below uses the same measures as reported by each segment, adjusted for Press and CUEF to the financial year ended 31 July.

	HEI	Assessment	Press	CUEF	Trusts and other	Eliminations and adjustments	Group
	£m	£m	£m	£m	£m	£m	£m
Year ended 31 July 2018							
Total income							
External	1,150.9	438.6	318.9	289.8	42.2	(275.6)	1,964.8
intersegment	131.3	9.9	1.6	–	149.6	(292.4)	–
Total	1,282.2	448.5	320.5	289.8	191.8	(568.0)	1,964.8
Surplus for the year	175.9	101.8	16.2	289.8	48.5	(362.6)	269.6
Included in surplus for the year:							
Investment income	73.4	8.5	1.4	18.0	15.5	(97.0)	19.8
Depreciation and amortisation	(81.7)	(31.3)	(13.6)	–	(1.3)	0.2	(127.7)
Interest payable	(30.0)	(0.6)	(3.0)	–	–	–	(33.6)
Gain on investments	92.1	14.3	2.6	271.8	29.7	(191.5)	219.0
Additions to intangible assets, fixed assets, heritage assets and investment property	285.8	48.5	10.7	–	17.7	(41.5)	321.2
Assets	6,000.0	781.2	334.5	3,252.8	572.1	(3,000.1)	7,940.5
Liabilities	(1,997.6)	(134.9)	(215.6)	–	(79.7)	(275.3)	(2,703.1)
Net assets	4,002.4	646.3	118.9	3,252.8	492.4	(3,275.4)	5,237.4

	HEI	Assessment	Press	CUEF	Trusts and other	Eliminations and adjustments	Group
	£m	£m	£m	£m	£m	£m	£m
Year ended 31 July 2017							
Total income							
External	1,075.6	412.8	318.3	422.7	52.0	(411.5)	1,869.9
intersegment	104.2	7.6	0.6	–	118.9	(231.3)	–
Total	1,179.8	420.4	318.9	422.7	170.9	(642.8)	1,869.9
Surplus for the year	325.4	104.6	10.3	422.7	63.4	(460.0)	466.4
Included in surplus for the year:							
Investment income	71.9	7.7	1.3	12.1	15.0	(90.1)	17.9
Depreciation and amortisation	(78.2)	(19.0)	(15.4)	–	(0.6)	–	(113.2)
Interest payable	(27.2)	(0.6)	(3.7)	–	–	0.1	(31.4)
Gain on investments	245.7	26.5	1.8	410.5	55.2	(332.6)	407.1
Additions to intangible assets, fixed assets, heritage assets and investment property	332.6	118.8	15.8	–	1.2	(0.8)	467.6
Assets	5,111.8	734.0	326.5	2,984.4	526.1	(2,821.9)	6,860.9
Liabilities	(1,384.4)	(138.6)	(240.5)	–	(78.4)	(171.9)	(2,013.8)
Net assets	3,727.4	595.4	86.0	2,984.4	447.7	(2,993.8)	4,847.1

17 Segment information (continued)

Eliminations and adjustments

The following eliminations and adjustments reconcile the totals of segment measures to the consolidated measures reported in these financial statements.

	2018 £m	2017 £m
Total income		
Elimination of intersegment income	**(292.4)**	(231.3)
Exclude investment gain element of CUEF total return	**(271.7)**	(410.5)
Exclude CUEF investment income attributable to external investors	**(3.9)**	(1.0)
Total eliminations and adjustments	**(568.0)**	(642.8)
Surplus for the year		
Eliminate CUEF surplus recognised in other segments or attributable to external investors	**(289.8)**	(422.7)
Eliminate transfers from other segments to HEI based on surpluses	**(35.1)**	(37.2)
Eliminate profit on transfer of Primary School	**(15.9)**	–
Elimination of intersegment funding commitments	**(0.5)**	–
Eliminate intersegment surplus on transfer of fixed assets	**(23.6)**	(0.7)
Eliminate other intersegment balances	**2.3**	0.9
Total eliminations and adjustments	**(362.6)**	(460.0)

Assets and liabilities	Assets 2018 £m	Liabilities 2018 £m	Net assets 2018 £m	Net assets 2017 £m
Eliminate CUEF assets recognised in other segments or attributable to external investors	**(2,824.6)**	**(428.2)**	**(3,252.8)**	(2,984.4)
Eliminate accrual for intersegment funding commitments	–	**17.5**	**17.5**	17.0
Eliminate intersegment surplus on transfers of fixed assets	**(36.9)**	–	**(36.9)**	(20.4)
Eliminate investments in subsidiaries	**(5.2)**	**5.2**	–	(6.0)
Eliminate intersegment balances	**(133.4)**	**130.2**	**(3.2)**	–
Total eliminations and adjustments	**(3,000.1)**	**(275.3)**	**(3,275.4)**	(2,993.8)

18 Intangible assets and goodwill

Group	Software £m	Goodwill £m	Others £m	2018 Total £m	2017 Total £m
Cost					
At 1 August	**207.8**	**16.2**	**9.6**	**233.6**	209.1
Additions	**20.5**	–	**0.1**	**20.6**	24.8
Disposals	**(4.8)**	–	–	**(4.8)**	(0.8)
Currency adjustments	**(0.5)**	**(0.1)**	–	**(0.6)**	0.5
At 31 July	**223.0**	**16.1**	**9.7**	**248.8**	233.6
Accumulated amortisation					
At 1 August	**132.8**	**15.5**	**8.7**	**157.0**	133.7
Charge for the year	**32.3**	**0.7**	**0.3**	**33.3**	23.3
Eliminated on disposals	**(4.6)**	–	–	**(4.6)**	(0.4)
Currency adjustments	**(0.3)**	**(0.1)**	–	**(0.4)**	0.4
At 31 July	**160.2**	**16.1**	**9.0**	**185.3**	157.0
Net book value					
At 31 July	**62.8**	–	**0.7**	**63.5**	76.6
At 1 August	75.0	0.7	0.9	76.6	75.4

University	Software £m	Goodwill £m	Others £m	2018 Total £m	2017 Total £m
Cost					
At 1 August	**198.6**	**1.1**	**13.6**	**213.3**	189.9
Additions	**19.9**	–	**0.1**	**20.0**	24.1
Disposals	**(4.7)**	–	–	**(4.7)**	(0.8)
Currency adjustments	**(0.1)**	–	–	**(0.1)**	0.1
At 31 July	**213.7**	**1.1**	**13.7**	**228.5**	213.3
Accumulated amortisation					
At 1 August	**125.8**	**1.1**	**12.4**	**139.3**	116.0
Charge for the year	**30.9**	–	**0.4**	**31.3**	23.6
Eliminated on disposals	**(4.6)**	–	–	**(4.6)**	(0.4)
Currency adjustments	**(0.1)**	–	–	**(0.1)**	0.1
At 31 July	**152.0**	**1.1**	**12.8**	**165.9**	139.3
Net book value					
At 31 July	**61.7**	–	**0.9**	**62.6**	74.0
At 1 August	72.8	–	1.2	74.0	73.9

Amortisation of intangibles is included within 'other operating expenses' in the statement of comprehensive income.

19 Fixed assets

Group	Land £m	Buildings £m	Assets in construction £m	Equipment £m	2018 Total £m	2017 Total £m
Cost						
At 1 August	422.1	1,736.6	369.9	368.9	2,897.5	2,576.0
Additions	–	16.5	175.3	57.2	249.0	329.1
Transfers	(0.3)	228.5	(228.7)	0.5	–	–
Transfers (to)/from investment properties	(42.6)	(39.0)	–	–	(81.6)	1.6
Disposals	(1.7)	(3.9)	–	(10.1)	(15.7)	(8.4)
Currency adjustments	–	(0.3)	–	(0.2)	(0.5)	(0.8)
At 31 July	377.5	1,938.4	316.5	416.3	3,048.7	2,897.5
Accumulated depreciation						
At 1 August	–	139.6	–	269.7	409.3	327.0
Charge for the year	–	53.7	–	40.7	94.4	89.9
Transfers (to)/from investment properties	–	(3.1)	–	–	(3.1)	(0.2)
Elimination on disposals	–	(1.0)	–	(10.0)	(11.0)	(7.9)
Currency adjustments	–	(0.1)	–	(0.1)	(0.2)	0.5
At 31 July	–	189.1	–	300.3	489.4	409.3
Net book value						
At 31 July	377.5	1,749.3	316.5	116.0	2,559.3	2,488.2
At 1 August	422.1	1,597.0	369.9	99.2	2,488.2	2,249.0

The net book value of leasehold land and buildings included in the above table is £242.7m (2017: £248.8m).

University	Land £m	Buildings £m	Assets in construction £m	Equipment £m	2018 Total £m	2017 Total £m
Cost						
At 1 August	422.1	1,731.0	371.6	363.5	2,888.2	2,565.7
Additions	–	16.3	175.9	55.2	247.4	327.8
Transfers	(0.3)	229.5	(229.3)	0.1	–	–
Transfers (to)/from investment properties	(42.6)	(39.0)	–	–	(81.6)	1.6
Disposals	(1.7)	(3.9)	–	(9.6)	(15.2)	(5.8)
Currency adjustments	–	(0.2)	–	–	(0.2)	(1.1)
At 31 July	377.5	1,933.7	318.2	409.2	3,038.6	2,888.2
Accumulated depreciation						
At 1 August	–	138.0	–	266.0	404.0	322.6
Charge for the year	–	53.3	–	40.3	93.6	86.9
Transfers (to)/from investment properties	–	(3.1)	–	–	(3.1)	(0.2)
Elimination on disposals	–	(1.0)	–	(9.5)	(10.5)	(5.4)
Currency adjustments	–	–	–	–	–	0.1
At 31 July	–	187.2	–	296.8	484.0	404.0
Net book value						
At 31 July	377.5	1,746.5	318.2	112.4	2,554.6	2,484.2
At 1 August	422.1	1,593.0	371.6	97.5	2,484.2	2,243.1

20 Heritage assets

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Opening balance	**67.3**	65.1	**67.3**	65.1
Additions in the year	**3.3**	2.2	**3.3**	2.2
Closing balance at 31 July	**70.6**	67.3	**70.6**	67.3

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

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

As stated in the statement of significant accounting policies, 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:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Acquisitions purchased with specific donations	**1.1**	1.3	1.2	1.1	0.4
Value of acquisitions by donation	**2.2**	0.4	2.5	0.4	0.1
Total acquired by, or funded by, donations	**3.3**	1.7	3.7	1.5	0.5
Acquisitions purchased with University funds	–	0.5	0.5	–	0.5
Total acquisitions capitalised	**3.3**	2.2	4.2	1.5	1.0

21 Non-current asset investments

a) Other investments

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Opening balance	**2,766.1**	2,616.4	**2,239.3**	2,151.8
Additions in the year	**79.8**	65.1	**72.3**	66.6
Disposals in the year	**(184.1)**	(317.2)	**(162.6)**	(299.7)
Transfers (to)/from other balance sheet accounts	**-**	(0.1)	**-**	(0.1)
Valuation gains on investments	**250.1**	401.9	**197.7**	320.7
Closing balance at 31 July	**2,911.9**	2,766.1	**2,346.7**	2,239.3
Represented by:				
CUEF units (see note 11)	**2,824.6**	2,689.6	**2,260.2**	2,161.1
Securities	**17.3**	21.7	**11.0**	11.3
Spin-out and similar companies (see note 35)	**62.9**	49.5	**40.6**	31.4
Investments in subsidiary undertakings	**-**	-	**33.9**	34.8
Other	**7.1**	5.3	**1.0**	0.7
	2,911.9	2,766.1	**2,346.7**	2,239.3

Other investments primarily relates to investments in joint ventures and associates of £7.0m (2017: £5.2m).

b) Investment properties

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Opening balance	**407.1**	288.0	**407.1**	288.0
Additions in the year	**48.3**	116.2	**48.3**	116.2
Disposals in the year	**(1.4)**	(0.5)	**(1.4)**	(0.5)
Transfers (to)/from other balance sheet accounts	**78.5**	(1.8)	**78.5**	(1.8)
Net gains / (losses) from fair value adjustments	**(31.1)**	5.2	**(31.1)**	5.2
Closing balance at 31 July	**501.4**	407.1	**501.4**	407.1
Represented by:				
North West Cambridge development	**327.2**	332.1	**327.2**	332.1
Other investment property	**174.2**	75.0	**174.2**	75.0
	501.4	407.1	**501.4**	407.1

Phase 1 of the North West Cambridge development is mostly complete and includes accommodation for University staff and students, infrastructure and community facilities. As the development has previously been in its construction phase it has been carried at cost. For 2017-18 the properties are required to be measured at fair value at the reporting date. A valuation has been undertaken based on a net discounted cash flow model of future revenue streams, net of associated expenditure. The result is a devaluation in the carrying value of the investment of £50.4m. This is reflected as a valuation loss on investment and reduces the carrying value of the investment from £377.6m to £327.2m. Other investment property is also revalued annually which has resulted in a gain on investment of £19.3m.

22 Stocks and work in progress

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Goods for resale	**23.6**	25.2	**19.1**	20.9
Pre-publication costs and other work in progress	**22.6**	23.1	**20.5**	21.5
Other stocks	**1.2**	1.3	**1.2**	1.3
	47.4	49.6	**40.8**	43.7

23 Trade and other receivables

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Amounts due within one year				
Research grants recoverable	**124.0**	105.6	**120.7**	105.4
Amounts due from subsidiary undertakings	**-**	–	**45.8**	30.2
Debtors re examination and assessment services	**111.7**	88.4	**108.9**	86.3
Debtors re publishing services	**113.3**	112.7	**87.2**	88.6
Other debtors	**69.2**	73.2	**61.6**	58.7
	418.2	379.9	**424.2**	369.2

24 Current asset investments

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
CUEF units held on behalf of other entities (see note 11)	**428.2**	294.8	**992.6**	823.3
Money market investments	**63.1**	43.5	**63.1**	43.5
Other	**7.6**	6.5	**7.6**	6.5
	498.9	344.8	**1,063.3**	873.3

25 Cash and cash equivalents

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
Money market investments with maturity less than three months	**793.6**	194.3	**793.6**	194.3
Cash at bank and in hand and with investment managers	**75.7**	87.0	**21.9**	51.6
	869.3	281.3	**815.5**	245.9

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
26 Creditors: amounts falling due within one year				
Bank overdraft	**14.0**	–	**14.0**	–
Current portion of long-term bank loan	**-**	0.8	**-**	0.8
Finance leases	**1.4**	1.3	**1.4**	1.3
Research grants received in advance	**216.2**	192.7	**211.1**	192.7
Amounts due to subsidiary undertakings	**-**	–	**30.9**	11.7
Creditors re examination and assessment services	**78.1**	85.1	**26.8**	63.8
Creditors re publishing services	**112.6**	111.3	**100.0**	99.5
Other creditors	**233.7**	206.1	**233.5**	178.2
Investments and cash equivalents held on behalf of subsidiary undertakings	**-**	–	**592.8**	557.7
Investments and cash equivalents held on behalf of Colleges and other associated bodies	**440.8**	298.7	**440.8**	298.7
	1,096.8	896.0	**1,651.3**	1,404.4

	Group 2018 £m	Group 2017 £m	University 2018 £m	University 2017 £m
27 Creditors: amounts falling due after more than one year				
Bond liabilities - unsecured 2012 (Fixed interest)	**342.6**	342.5	**342.6**	342.5
Bond liabilities - unsecured 2018 (Fixed interest)	**297.8**	–	**297.8**	–
Bond liabilities - unsecured 2018 (Index-linked)	**296.7**	–	**296.7**	–
Bank loans	**–**	0.7	**–**	–
Finance leases	**1.2**	2.6	**1.2**	2.6
Accruals and deferred income	**11.3**	10.5	**–**	–
	949.6	356.3	**938.3**	345.1

On 17 October 2012 the University issued £350m of 3.75% unsecured Bonds due October 2052. 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% p.a. is payable on 17 April and 17 October each year and commenced on 17 April 2013. In addition, on 27 June 2018 the University issued £300m of 2.35% unsecured Bonds due June 2078. The Bonds were issued at 99.552% of their principal amount. The proceeds of issue, less directly attributable transaction costs, amounted to £297.8m. Interest at 2.35% pa is payable on 27 June and 27 December each year commencing on 27 December 2018.

The Bonds will be redeemed at their principal amounts of £350m and £300m on 17 October 2052 and 27 June 2078 respectively. 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. Under this method the discount at which the Bonds were issued and the transaction costs are accounted for as additional interest expense over the term of the Bonds.

Also on 27 June 2018 the University issued £300m of Index-linked Bonds (the "Indexed Bonds") due June 2068. The Indexed Bonds were issued at 98.893% of their principal amount. Interest is payable annually in arrears on 27 June each year commencing 27 June 2019. The interest charged will be calculated as the product of 0.25% p.a. and the Limited Index Ratio. The Indexed Bonds will be redeemed in accordance with the Amortisation Schedule multiplied by the Limited Index Ratio or may be redeemed earlier at the option of the University. The Indexed Bonds are accounted for as complex financial instruments and are initially recognised at fair value at the transaction date and subsequently re-measured to their fair value at the reporting date. Transaction costs are immediately expensed on initial recognition. The fair value of the Indexed Bonds at the reporting date is deemed to be the face value (net of discount) of £296.7m.

All the Bonds referred to above are listed on the London Stock Exchange.

28 Pension liabilities

Group	CPS £m	Press £m	Defined benefit total £m	USS deficit recovery £m	Total 2018 £m	Total 2017 £m
Opening balance	**522.4**	**96.6**	**619.0**	**120.1**	**739.1**	756.5
Movement in year:						
Current service cost	**33.5**	**1.6**	**35.1**	**–**	**35.1**	33.4
Contributions	**(28.4)**	**(4.6)**	**(33.0)**	**(8.0)**	**(41.0)**	(41.4)
Administration expenses	**1.0**	**–**	**1.0**	**–**	**1.0**	1.0
Interest on liability	**13.4**	**2.5**	**15.9**	**2.3**	**18.2**	17.3
Currency adjustments	**–**	**0.1**	**0.1**	**–**	**0.1**	0.1
Change in underlying assumptions	**–**	**–**	**–**	**4.5**	**4.5**	(1.5)
Actuarial gain	**(99.1)**	**(22.8)**	**(121.9)**	**–**	**(121.9)**	(26.3)
Closing balance at 31 July	**442.8**	**73.4**	**516.2**	**118.9**	**635.1**	739.1

University	CPS £m	Press £m	Defined benefit total £m	USS deficit recovery £m	Total 2018 £m	Total 2017 £m
Opening balance	**522.4**	**96.6**	**619.0**	**115.1**	**734.1**	750.9
Movement in year:						
Current service cost	**33.5**	**1.6**	**35.1**	**–**	**35.1**	33.4
Contributions	**(28.4)**	**(4.6)**	**(33.0)**	**(7.7)**	**(40.7)**	(41.1)
Administration expenses	**1.0**	**–**	**1.0**	**–**	**1.0**	1.0
Interest on liability	**13.4**	**2.5**	**15.9**	**2.2**	**18.1**	17.3
Currency adjustments	**–**	**0.1**	**0.1**	**–**	**0.1**	0.1
Change in underlying assumptions	**–**	**–**	**–**	**5.2**	**5.2**	(1.2)
Actuarial gain	**(99.1)**	**(22.8)**	**(121.9)**	**–**	**(121.9)**	(26.3)
Closing balance at 31 July	**442.8**	**73.4**	**516.2**	**114.8**	**631.0**	734.1

The net liabilities in respect of the Cambridge University Assistants' Contributory Pension Scheme (CPS) and the Press defined benefit schemes represent the present value of the schemes' obligations to provide future benefits in relation to past service, less the assets of the schemes. For additional information please refer to note 34.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising with the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.20% as at 31 July 2018 (2017: 1.89%), are included in note 34 to the financial statements.

The 2017 actuarial valuation of the USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a significant amount depending on what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £118.9m (assuming the same discount rate of 2.20%):

a) Impact of a 1% increase in the deficit recovery plan contribution from 2.1% to 3.1%. (*Liability increases by £56m to £175m*)
b) Impact of a 3.9% increase in the deficit recovery plan contribution from 2.1% to 6.0%. (*Liability increases by £220m to £339m*)
c) Impact of extending the duration of deficit repayment by 3 years to 2035. (*Liability increases by £44m to £163m*)

The movements described as a "change in underlying assumptions" include the impact of movements in discount rates. The resulting increase in provision in 2017-18 is included in staff costs (see note 13).

It should be noted that no allowance has been made for any additional CPS pension liability that might arise from the impact of equalising Guaranteed Minimum Pensions (GMPs) between men and women. The Lloyd's Bank High Court ruling on 26 October 2018 confirmed that GMPs should be equalised from the date of the Barber judgement (17 May 1990). The expectation is that any additional liability will not be material and it will be considered further as part of the next triennial actuarial valuation due as at 31 July 2018.

29 Other retirement benefits liabilities

Group and University	2018 £m	2017 £m
Opening balance	**22.4**	22.4
Movement attributable to the year:		
Current service cost less benefits paid	**0.2**	0.3
Contributions	**(1.0)**	(1.0)
Other finance cost	**0.6**	0.6
Currency adjustments	**–**	0.1
Actuarial gain	**(0.6)**	–
Closing balance at 31 July	**21.6**	22.4

These liabilities arise in relation to unfunded post-retirement medical and insurance schemes.

30 Endowment reserves

Group	Permanent £m	Expendable £m	2018 Total £m	2017 Total £m
Balance at 1 August	**1,202.4**	**525.5**	**1,727.9**	1,519.2
New endowments received	**18.6**	**3.0**	**21.6**	30.4
Investment income	**2.4**	**2.9**	**5.3**	3.1
Expenditure	**(33.4)**	**(21.5)**	**(54.9)**	(51.8)
Valuation gains on investments	**109.3**	**46.5**	**155.8**	227.0
Balance at 31 July	**1,299.3**	**556.4**	**1,855.7**	1,727.9
Capital	**1,124.4**	**526.4**	**1,650.8**	1,541.6
Unspent income	**174.9**	**30.0**	**204.9**	186.3
Balance at 31 July	**1,299.3**	**556.4**	**1,855.7**	1,727.9
Representing:				
Trust and Special Funds:				
Professorships, Readerships, and Lectureships	**662.9**	**81.1**	**744.0**	684.0
Scholarships and bursaries	**159.3**	**18.6**	**177.9**	169.4
Other	**449.7**	**164.7**	**614.4**	524.0
Gates Cambridge Trust	**–**	**285.5**	**285.5**	268.7
Examination Board restricted funds	**–**	**6.5**	**6.5**	6.1
General endowments	**27.4**	**–**	**27.4**	75.7
Group total	**1,299.3**	**556.4**	**1,855.7**	1,727.9

University	Permanent £m	Expendable £m	2018 Total £m	2017 Total £m
Balance at 1 August	**1,196.3**	**253.0**	**1,449.3**	1,268.9
New endowments received	**18.6**	**3.0**	**21.6**	30.4
Income receivable from endowment asset investments	**–**	**–**	**–**	2.0
Transfers	**2.4**	**1.4**	**3.8**	–
Expenditure	**(33.2)**	**(11.0)**	**(44.2)**	(41.7)
Valuation gains on investments	**108.8**	**22.6**	**131.4**	189.7
Balance at 31 July	**1,292.9**	**269.0**	**1,561.9**	1,449.3
Capital	**1,118.0**	**239.0**	**1,357.0**	1,263.0
Unspent income	**174.9**	**30.0**	**204.9**	186.3
Balance at 31 July	**1,292.9**	**269.0**	**1,561.9**	1,449.3

31 Restricted reserves

	Unspent capital grants £m	Unspent research grants £m	Specific donations £m	2018 Total £m	2017 Total £m
Group					
Balance at 1 August	18.1	21.3	46.1	85.5	79.2
Donations and grants recognised in the year	37.3	38.5	24.6	100.4	72.6
Investment income	–	–	0.3	0.3	0.2
Expenditure	–	(7.6)	(20.8)	(28.4)	(26.0)
Capital grants spent	(41.7)	(20.1)	(0.1)	(61.9)	(43.2)
Valuation gains on investments	–	–	2.0	2.0	2.7
Balance at 31 July	13.7	32.1	52.1	97.9	85.5
University					
Balance at 1 August	18.1	21.3	44.9	84.3	78.5
Donations and grants recognised in the year	37.3	38.5	14.8	90.6	64.0
Investment income	–	–	0.3	0.3	0.1
Expenditure	–	(7.6)	(10.8)	(18.4)	(17.8)
Capital grants spent	(41.7)	(20.1)	–	(61.8)	(43.2)
Valuation gains on investments	–	–	2.0	2.0	2.7
Balance at 31 July	13.7	32.1	51.2	97.0	84.3

32 Non-controlling interests

Non-controlling interests represent the interests of minority shareholders in the total comprehensive income and net assets of subsidiary companies where the University holds less than 100% of the issued share capital (see note 35). The movement in non-controlling interests in the statement of total comprehensive income and unrestricted reserves of the Group were as follows:

	Group 2018 £m	Group 2017 £m
Opening balance	0.5	0.9
Total comprehensive income attributable to non-controlling interests	1.7	0.4
Acquisition of non-controlling interest	–	(0.5)
Disposal of non-controlling interest	–	–
Dividends paid to non-controlling interests	(0.5)	(0.3)
Closing balance at 31 July	1.7	0.5

For the year ended 31 July 2018, the total comprehensive income attributable to non-controlling interests was £1.7m (2017: £0.4m) and the unrestricted reserves attributable to non-controlling interests was £1.7m (2017: £0.5m).

33 Capital commitments and contingent liabilities

	Group 2018 £m	Group 2017 £m
Commitments for capital expenditure:		
Commitments contracted at 31 July	535.5	336.1
Authorised but not contracted at 31 July	174.5	23.1
Commitments for capital calls on investments	505.3	417.9

34 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Cambridge University Assistants' Contributory Pension Scheme (CPS). The USS and the CPS are not closed, nor is the age profile of their active membership rising significantly.

Cambridge University Press operates two pension schemes for its UK staff, the Press Contributory Pension Fund (PCPF) and the Press Senior Staff Pension Scheme (PSSPS). The PCPF and the PSSPS have been closed to new members.

The assets of the schemes are held in separate trustee-administered funds. The schemes are defined benefit schemes, with the exception of USS which is a hybrid pension scheme, and are each valued every three years using the projected unit method by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University 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. As required by section 28 of FRS 102 'Employee Benefits' the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total cost charged to the profit and loss account is £93.8m (2017: £85.5m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the University cannot identify its share of Retirement Income Builder Section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers (see Note 28) for the scheme for accounting purposes have been produced using the following assumptions as at 31 March 2018 and 31 March 2017:

	2018	2017
Discount rate	**2.64%**	2.57%
Pensionable salary growth	**n/a**	n/a
Pensions increases (CPI)	**2.02%**	2.41%

34 Pension schemes (continued)

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement:	
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA 'light' YOB unadjusted for males.
	Post-retirement:	
	96.5% of SAPS S1NMA 'light' for male and 101.3% of RFV00 for females.	99% of SAPS S1NA 'light' YOB a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% for males and 1.6% for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	**24.5**	24.4
Females currently aged 65 (years)	**26.0**	26.6
Males currently aged 45 (years)	**26.5**	26.5
Females currently aged 45 (years)	**27.8**	29.0
Scheme assets	**£63.6bn**	£60.0bn
Total scheme liabilities	**£72.0bn**	£77.5bn
FRS 102 total scheme deficit	**£8.4bn**	£17.5bn
FRS 102 total funding level	**88%**	77%

Cambridge University Assistants' Contributory Pension Scheme (CPS)

The CPS was established under the authority of the Universities of Oxford and Cambridge Act 1923. It is a registered pension scheme for the purposes of the Finance Act 2004. The active members of the scheme are employees of the University and its subsidiary undertakings.

Triennial valuation of the scheme

A full triennial valuation of the scheme was carried out by the actuary for the trustees of the scheme for funding purposes as at 31 July 2015. The results showed the actuarial value of the scheme's assets as £551m. These were insufficient to cover the scheme's past service liabilities of £612m; the scheme had a deficit of £61m and was 90% funded.

Since 1 August 2013 employer contributions have been set at 11.5% of pensionable pay for existing members at 31 December 2012 and 5.8% of pensionable pay (together with contributions at 5.0% to a separate defined contribution arrangement) for new entrants from 1 January 2013. In addition fixed employer contributions totalling £14.6m per annum are payable over the period from 1 August 2011 to 31 January 2019. These payments are subject to review following the next funding valuation, due as at 31 July 2018.

CPS: Pension costs under FRS 102

The liabilities of the plan have been calculated for the purposes of FRS102 based on the calculations previously undertaken for the funding actuarial valuation as at 31 July 2015, allowing for the different assumptions required under FRS102 and taking fully into consideration changes in the plan benefit structure and membership since that date. The principal assumptions used by the actuary were:

	2018	2017
Discount rate	**2.70%**	2.55%
Rate of increase in salaries	**4.05%**	4.10%
Rate of increase in pensions in deferment	**3.25%**	3.35%
Rate of increase in pensions in payment	**3.25%**	3.35%
Mortality - equivalent life expectancy for members reaching the age of 65:		
Males currently aged 65	**85**	86
Males currently aged 45	**87**	88
Females currently aged 65	**90**	89
Females currently aged 45	**91**	91

34 Pension schemes (continued)

The following results were measured in accordance with the requirements of FRS 102, based on the assumptions summarised above:

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2018	2017	**2018**	2017	**2018**	2017
	£m	£m	**£m**	£m	**£m**	£m
Opening	**(1,182.4)**	(1,081.9)	**660.0**	576.9	**(522.4)**	(505.0)
Current service cost	**(33.5)**	(31.4)	**–**	–	**(33.5)**	(31.4)
Administrative expenses paid	**–**	–	**(1.0)**	(1.0)	**(1.0)**	(1.0)
Employer contributions	**–**	–	**28.4**	28.2	**28.4**	28.2
Contributions by members	**(0.5)**	(0.6)	**0.5**	0.6	**–**	–
Benefits paid	**23.6**	21.7	**(23.6)**	(21.7)	**–**	–
Interest income / (expense)	**(30.3)**	(26.1)	**16.9**	13.9	**(13.4)**	(12.2)
Remeasurement gains / (losses):						
Actuarial gains / (losses)	**72.1**	(64.1)	**–**	–	**72.1**	(64.1)
Expected less actual plan expenses	**–**	–	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Return on assets excluding interest	**–**	–	**27.1**	63.2	**27.1**	63.2
Closing defined benefit obligation	**(1,151.0)**	(1,182.4)	**708.2**	660.0	**(442.8)**	(522.4)

The movement for the year in the net pension liability is reflected in note 28.

The total cost recognised in expenditure was (£m):		
Current service cost	**33.5**	31.4
Administrative expenses	**1.0**	1.0
Interest cost	**13.4**	12.2
	47.9	44.6
The fair values of the major categories of scheme assets expressed as a percentage of the total were:		
Equities and hedge funds	**71.1%**	70.6%
Bonds and cash	**19.2%**	19.4%
Property	**9.7%**	10.0%
	100.0%	100.0%
The return on the scheme's assets was (£m):		
Interest income	**16.9**	13.9
Return on assets excluding interest income	**27.1**	63.2
	44.0	77.1

Cambridge University Press UK defined benefit schemes (PCPF and PSSPS)

Triennial valuation of the schemes

Full triennial valuations of the schemes were carried out by the actuary for the trustees of the schemes for funding purposes as at 1 January 2016.

Pension costs under FRS 102

For accounting purposes the schemes' assets are measured at fair value and liabilities are valued using the attained age method and discounted using the gross redemption yield for corporate AA rated bonds. The valuations use market-based assumptions and asset valuations, and represent current valuations. They do not impact on the joint contribution rates set by the trustees of the schemes. The actuary has updated the 1 January 2016 valuation to 31 July 2017 for the purposes of these financial statements. The principal assumptions used by the actuary for both schemes were:

	2018	2017
Discount rate	**2.70%**	2.55%
Rate of increase in salaries - schemes are now on frozen current salary basis	**0.00%**	0.00%
Rate of increase in pensions in deferment	**3.50%**	3.55%
Rate of increase in pensions in payment	**3.50%**	3.55%
Mortality - equivalent life expectancy for members at age 60:		
Males	**87**	87
Females	**89**	89

34 Pension schemes (continued)

The following results were measured in accordance with the requirements of FRS 102, based on the assumptions summarised above. The results for the two schemes have been amalgamated.

	Present value of defined benefit obligation		Fair value of scheme assets		Net liability recognised in the balance sheet	
	2018	2017	**2018**	2017	**2018**	2017
	£m	£m	**£m**	£m	**£m**	£m
Opening	**(336.8)**	(344.5)	**241.9**	225.2	**(94.9)**	(119.3)
Current service cost	**(1.7)**	(1.8)	**-**	-	**(1.7)**	(1.8)
Employer contributions	**-**	-	**4.6**	5.3	**4.6**	5.3
Contributions by members	**(0.1)**	(0.1)	**0.1**	0.1	**-**	-
Benefits paid	**11.8**	11.1	**(11.8)**	(11.1)	**-**	-
Interest income / (expense)	**(8.5)**	(8.2)	**6.1**	5.3	**(2.4)**	(2.9)
Remeasurement gains:						
Actuarial gains	**11.4**	6.7	**9.0**	17.1	**20.4**	23.8
Closing defined benefit obligation	**(323.9)**	(336.8)	**249.9**	241.9	**(74.0)**	(94.9)

The movement for the year in the net pension liability is reflected in note 28. The above table excludes the US pension scheme surplus relating to the Press's US Defined Benefit Plan of £0.6m (2017: deficit of £1.7m).

The total cost recognised in expenditure was (£m):

Current service cost	**1.7**	1.8
Interest cost	**2.4**	2.9
	4.1	4.7

The fair values of the major categories of scheme assets expressed as a percentage of the total were:

Equities	**39.0%**	39.1%
Gilts	**0.0%**	19.5%
Property	**6.9%**	6.7%
Cash and annuities	**1.1%**	0.6%
Diversified growth fund	**34.2%**	34.1%
Diversified credit fund	**18.8%**	0.0%
	100.0%	100.0%

The return on the scheme's assets was:

Interest income (£m)	**6.1**	5.3

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

The total group pension cost for the year (see note 13) was:

	Employer contributions	**Provisions (note 28)**	**Total**	Employer contributions	Provisions (note 28)	Total
	2018	**2018**	**2018**	2017	2017	2017
	£m	**£m**	**£m**	£m	£m	£m
USS	**97.3**	**(3.5)**	**93.8**	95.0	(9.5)	85.5
CPS	**29.2**	**6.1**	**35.3**	29.5	4.2	33.7
PCPF	**2.2**	**(0.8)**	**1.4**	2.4	(0.8)	1.6
PSSPS	**2.4**	**(2.2)**	**0.2**	2.8	(2.6)	0.2
NHSPS	**2.3**	**-**	**2.3**	2.3	-	2.3
Other pension schemes	**8.7**	**(0.1)**	**8.8**	7.5	0.1	7.6
	142.1	**(0.3)**	**141.8**	139.5	(8.6)	130.9

35 Principal subsidiary and associated undertakings and other significant investments

The following undertakings were subsidiary undertakings during the year ended 31 July 2018. Except where stated, the accounting reference date is 31 July and the undertaking is a wholly-owned company registered in England and Wales.

Name	Notes	Principal activity
Cambridge Centre for Advanced Research and Education in Singapore Limited	a	Research and development
Cambridge Enterprise Limited		Consultancy and commercial exploitation of intellectual property
IFM Education and Consultancy Services Limited		Consultancy and commercial exploitation of intellectual property
Cambridge Investment Limited		Land development
Cambridge Investment Management Limited		Investment management
Cambridge Sustainability Ltd		Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (Australia)	b	Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (South Africa) NPC	c	Sustainability leadership programmes
Cambridge Institute for Sustainability Leadership (Belgium)	d	Sustainability leadership programmes
Cambridge University Technical Services Limited		Consultancy and commercial exploitation of intellectual property
The Dennis S Avery and Sally Tsui Wong-Avery Endowment Trust	e	Advancement of education and research in cosmology at the University
Fitzwilliam Museum (Enterprises) Limited		Publication of fine art books and sale of museum merchandise
JBS Executive Education Limited		Corporate education services
Lynxvale Limited		Construction and development services
UTS Cambridge		Primary school education
Cambridge ClassServer LLP	f	Development and commercialisation of digital educational material for China
English Language iTutoring Limited	g	Commercialisation of provision of automated tutoring and assessment in learning of English as a foreign language
Portal Estate Management		Management and maintenance of the North West Cambridge estate
Core Sustainable Heat Management Limited		North West Cambridge estate hot water and heating services
Lodge Property Services Ltd		North West Cambridge estate letting and accommodation services
Storeys Field Community Trust	h	Operational management services for the North West Cambridge estate community centre
Foundation for Genomics and Population Health	e, ac	Provision of biological research
Cambridge University International Holdings Limited		Holding company for overseas projects
Cambridge India Research Foundation	o	Research and development
Associated Trusts	e	Provision of scholarships, grants and other support for the education of UK and overseas students in the University
Cambridge Commonwealth, European and International Trust		
Gates Cambridge Trust		
Malaysian Commonwealth Studies Centre in Cambridge		

35 Principal subsidiary and associated undertakings and other significant investments (continued)

Cambridge Assessment subsidiary undertakings

Cambridge Assessment Overseas Limited		Overseas office services
Cambridge Assessment Singapore	i	Overseas office services
Cambridge Avaliacao Representacao e Promocao Ltda	j	Overseas office services
Cambridge Consulting (Beijing) Co. Ltd	k	Overseas office services
Cambridge Assessment Inc	l	Overseas office services
Cambridge English (Aus)	m	Examination services
Cambridge Boxhill Language Pty Limited	m	Examination services
Cambridge Michigan Language Assessment LLC (USA)	n	Examination services
Cambridge Assessment India Private Limited	o	Overseas office services
Cambridge Assessment Pakistan Private Limited	p	Overseas office services
Fundacion UCLES	q	Overseas office services
Oxford and Cambridge International Assessment Services Limited		Overseas office services
The West Midlands Examinations Board		Examination services
Oxford Cambridge and RSA Examinations	e	Examination services

Cambridge University Press subsidiary undertakings r

Academic Journal Publishing Pty Limited	m	Intermediate holding company
Australian Academic Press Pty Limited	m	Non-trading
Cambridge Daigaku Shuppan KK	s	Sales support office for the Japanese market
Cambridge Knowledge (China) Limited	t	Sales support office for the Chinese market
Cambridge University Press (Greece) MEPE	u	Sales support office for the Greek, Cypriot and Mediterranean market
Cambridge University Press (Holdings) Limited		Multi-activity holding company
Cambridge University Press India Private Limited	o	Academic and educational book publisher & distributor for India
Cambridge University Press Nigeria Limited	v	Educational book publisher & distributor for Nigeria
Cambridge University Press Operations Limited		Publishing services company
Cambridge University Press Satış ve Dağıtım Ticaret Limited Şirketi	w	Non-trading
Cambridge University Press Turkey Satış Destek Limited Sirketi	w	Sales support office for the Turkish market
Cambridge University Press South Africa Proprietary Limited	x	Academic and educational book publisher & distributor for South Africa
Cambridge Learning Limited		Non-trading
Editorial Edicambridge Cia Ltda	y	Sales support office for the Ecuadorian market
Digital Services Cambridge Limited		Software development, infrastructure and business services
ELT Trading SA de CV	z	Distribution company (Mexico and Latin America)
HOTmaths Pty Limited	aa	Development and commercialisation of web-based maths digital learning management systems
United Publishers Services Limited	t	Non-trading
Oncoweb Limited		Non-trading intermediate holding company
Cambridge-Obeikan Company Limited	ab	Academic and educational book distributor

35 Principal subsidiary and associated undertakings and other significant investments (continued)

a Cambridge Centre for Advanced Research and Education in Singapore Limited is incorporated in Singapore and has an accounting reference date of 31 March for commercial reasons. The effect of this is not material to the consolidated accounts.

b Cambridge Institute for Sustainability Leadership (Australia) is incorporated in Australia and has an accounting reference date of 30 June for commercial reasons. The effect of this is not material to the consolidated accounts.

c Cambridge Institute for Sustainability Leadership (South Africa) is incorporated in South Africa.

d Cambridge Institute for Sustainability Leadership (Belgium) is incorporated in Belgium.

e These entities are exempt charities established by trust deeds (see note 36).

f Cambridge ClassServer LLP is a limited liability partnership registered in England and Wales, in which the University has a two thirds interest acting through Cambridge Assessment and Cambridge University Press.

g English Language iTutoring Limited is a limited company registered in England and Wales, in which the University has a 50% interest acting through Cambridge Assessment and Cambridge University Press.

h Joint venture arrangement between the University and Cambridge City Council, with the University holding a 50% interest in the company which is limited by guarantee and registered in England and Wales.

i Cambridge Assessment Singapore is incorporated in Singapore.

j Cambridge Avaliacao Representacao e Promocao Ltda is incorporated in Brazil.

k Cambridge Consulting (Beijing) Co. Ltd is incorporated in China.

l Cambridge Assessment Inc is a United States non-stock non-profit corporation.

m Cambridge English (Aus), Cambridge Boxhill Language Pty Limited, Academic Journal Publishing Pty Limited and Australian Academic Press Pty Limited are incorporated in Australia.

n Cambridge Michigan Language Assessment LLC (USA) is 65% owned by Cambridge Assessment Inc and is incorporated in the United States.

o Cambridge India Research Foundation, Cambridge Assessment India Private Limited and Cambridge University Press India Private Limited are incorporated in India.

p Cambridge Assessment Pakistan Private Limited is incorporated in Pakistan.

q Fundacion UCLES is incorporated in Spain.

r Cambridge University Press subsidiary undertakings have an accounting reference date of 30 April for commercial reasons, with the exceptions of the companies incorporated in India (31 March) and Mexico (31 December).

s Cambridge Daigaku Shuppan KK is incoporated in Japan.

t Cambridge Knowledge (China) Limited and United Publishers Services Limited are incorporated in Hong Kong.

u Cambridge University Press (Greece) MEPE is incorporated in Greece.

v Cambridge University Press Nigeria Limited is incorporated in Nigeria.

w Cambridge University Press Satış ve Dağıtım Ticaret Limited Şirketi and Cambridge University Press Turkey Satis Destek Limited Sirket are incorporated in Turkey.

x Cambridge University Press South Africa Proprietary Limited is a 75% subsidiary incorporated in South Africa.

y Editorial Edicambridge Cia Ltda is incorporated in Ecuador.

z ELT Trading SA de CV is incorporated in Mexico.

aa HOTmaths Pty Limited is a 55% subsidiary incorporated in Australia.

ab Cambridge-Obeikan Company Limited is incorporated in Saudi Arabia.

ac Foundation for Genomics and Population Health has an accounting reference date of 31 March. The Foundation was acquired on 1 April 2018 for nil consideration and has been consolidated from this date. The net assets on the date of acquisition were £1.6m which has resulted in a profit on acquisition of £1.6m which has been recognised in the statement of comprehensive income.

Other investments

The University has interests in a number of spin-out companies formed to exploit intellectual property rights or inventions. These are included at valuation in non-current asset investments (see note 21). In some cases the University's interest amounted to 20% or more of the share capital at the year end, and these companies are listed below. As the University does not exercise a significant influence over these investments and they are not intended to be held for the long-term, they are not accounted for as associated undertakings. Other undertakings where the University's investment amounts to 20% or more are also listed below. These are not accounted for as associated undertakings as the effect on the financial statements would not be material.

35 Principal subsidiary and associated undertakings and other significant investments (continued)

Name	% interest	Principal Activity
Cytora Limited	79	Commercial exploitation of intellectual property
Morphogen-IX Limited	28	Commercial exploitation of intellectual property
Polypharmakos	27	Commercial exploitation of intellectual property
Predictimmune	24	Commercial exploitation of intellectual property
ROADMap Systems Limted	24	Commercial exploitation of intellectual property

In addition, at the year end the University held an interest of 33.5% in Cambridge Innovation Capital plc as part of its investment portfolio. Movements in the carrying value of this investment are included in the consolidated surplus for the year.

36 Related party transactions

Due to the nature of the University's operations and the composition of its Council, it is inevitable that the University will enter into transactions in the normal course of business with Colleges, NHS Trusts, Research Councils, other grant-awarding bodies, and other private and public sector organisations in which members of the Council may have an interest. All transactions involving organisations in which members of Council may have such an interest, including those summarised below, are conducted in accordance with the University's financial regulations and usual procurement procedures. A register of the interests of the members of the Council is maintained.

The financial statements of the University include transactions with:
(a) entities over which a member of Council or of key management personnel (see note 13) has control or joint control;
(b) entities over which a member of Council has significant influence; and
(c) entities of which a member of Council is a member of the key management personnel.

Such transactions are summarised below where they are considered material to the University's financial statements and / or to the other party. The University has taken advantage of the exemption within FRS 102 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

Transactions with Colleges are summarised in note 37 below. Included within the financial statements are other transactions with the following related parties:

Cambridge University Hospitals NHS Foundation Trust

Cambridge University Hospitals NHS Foundation Trust (the 'Trust'), comprising Addenbrooke's and the Rosie hospitals, is owned by a membership of patients, public and staff who are represented by a council of governors which includes a member of the University Registrary team who attends the University Council. Research grants and contracts income for the year ended 31 July 2018 includes £21m in respect of continuing grants funded by the Trust, and £18m was invoiced to the Trust in respect of other services, principally salary recharges. The University made payments to the Trust totalling £10.6m in the year ended 31 July 2018. Balances with the Trust at the year end were trade debtors £6.7m, trade creditors £1.4m and net research invoiced in advance and treated as a creditor £3.2m.

Cambridge University Students Union

One of the student members on the University Council held a part time executive position in the Student Union for the 2017-18 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Union and, in the year ended 31 July 2018, provided a grant of £322,000 and made other payments totalling £46,000 for services provided. The Union made payments to the University totalling £4,000 for temporary staff, network and other services provided.

Cancer Research UK

The outgoing Vice-Chancellor was appointed as Chairman of Cancer Research UK during 2016-17. Research grants and contracts income for the year ended 31 July 2018 includes £41.2m in respect of continuing grants funded by Cancer Research UK. At the year end net research invoiced in advance and treated as a creditor was £18m.

European Research Council

The European Research Council (ERC) is a public body for funding of scientific and technological research conducted within the European Union (EU). Established by the European Commission in 2007 the ERC is led by an independent Scientific Council that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2018 includes £33.8m in respect of continuing grants funded by ERC of which £9.4m was included in creditors at the year end.

36 Related party transactions (continued)

Gatsby Charitable Foundation

Lord Sainsbury of Turville, who was elected as Chancellor of the University in October 2011, is settlor of the Gatsby Charitable Foundation (Gatsby) and, together with the Gatsby Trustees, is actively involved in setting the Foundation's strategic direction and approving its activities. In 2006 the University approved a proposal to establish a Sainsbury Laboratory for plant science in Cambridge, with Gatsby providing capital funding and research funds over a ten year period. The Sainsbury Laboratory was completed in the year ended 31 July 2011, with Gatsby capital contributions totalling £74m. Research grants and contracts income for the year ended 31 July 2018 includes £9.3m in respect of continuing grants funded by Gatsby of which £1.3m was included in creditors at the year end.

Office for Students

The Office for Students (OfS) allocates funding from the Government to universities and colleges in England from 1 April 2018. Previously, funding was provided through the Higher Education Funding Council for England (HEFCE). HEFCE was led by the HEFCE Board that included a member of the University's Council. Funding received from HEFCE and the OfS is included in funding body grants (see note 6) in accordance with the University's accounting policies. At 31 July 2018 current liabilities included £10.1m in respect of funding received from HEFCE and the OfS but not yet recognised as income.

Kidney Research UK

Kidney Research UK is a registered charity governed by a Board of Trustees that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2018 includes £276,000 in respect of grants funded by Kidney Research UK, of which £150,000 was included in debtors at the year end.

Medical Research Council

The Medical Research Council (MRC) is responsible for coordinating and funding medical research in the United Kingdom. It is part of United Kingdom Research and Innovation, which came into operation from 1 April 2018 and brings together the UK's seven research councils, Innovate UK and Research England. The day-to-day management of the MRC is overseen by the MRC Management Board that includes a member of the University's Council. Research grants and contracts income for the year ended 31 July 2018 includes £63.7m in respect of continuing grants funded by the MRC, of which £18.5m was included in debtors at the year end. £2.1m was invoiced to the MRC in respect of other services, principally salary recharges. The University made payments to the Council totalling £1.6m for the year ended 31 July 2018. Balances with the MRC at the year end were trade debtors of £8.5m and trade creditors of £0.1m.

University of Cambridge Graduate Union

The President of the Graduate Union was also a member of the University's Council for the 2017-18 financial year. Under *Statutes and Ordinances*, Chapter II, the University has discretion to provide financial assistance to the Graduate Union and, in the year ended 31 July 2018, provided a grant of £88,000.

37 Colleges

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

During the year the University paid the Colleges sums totalling £70.1m (2017: £67.3m) under the terms of agreements between the University and the Colleges to share fee income with the Colleges in a way that recognises the relative contributions of the University and the Colleges. These payments are included as "Payments to Colleges" in note 14 above.

The University distributed third party donations to the Colleges totalling £10.0m (2017: £6.9m); these payments are not included in the consolidated statement of comprehensive income. During the year the University provided printing, network and other services to the Colleges for which the Colleges paid a total of £6.7m (2017: £3.9m), and the Colleges provided accommodation, catering and other services to the University for which the University paid a total of £14.7m (2017: £13.1m). During the year the Colleges made donations to the University totalling £5.0m (2017: £5.3m).

Current asset investments include £411.6m (2017: £277.3m) held on behalf of 16 (2017: 14) Colleges in the form of CUEF units (see note 24), £13.8m (2017: £14.9m) held on behalf of the Isaac Newton Trust and £2.8m (2017: £2.6m) held on behalf of other associated bodies.

Colleges Fund	**2018**	2017
	£m	£m
Balance at 1 August	-	-
Contributions received from Colleges	**4.5**	4.4
Interest earned	-	-
Payments to Colleges	**(4.5)**	(4.4)
Balance at 31 July (included in creditors)	-	-

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

38 Connected charitable institutions

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

	As at 1 August 2017	Income	Expenditure	Market value increase	As at 31 July 2018
	£m	£m	£m	£m	£m
Consolidated (see note 35)					
Cambridge Commonwealth, European and International Trust	148.0	26.1	(26.6)	10.1	157.6
Gates Cambridge Trust	268.7	9.2	(8.5)	16.1	285.5
Malaysian Commonwealth Studies Centre in Cambridge	3.8	0.1	(2.1)	0.1	1.9
The Dennis S Avery and Sally Tsui Wong-Avery Endowment Trust	2.9	0.1	(0.1)	0.2	3.1
Oxford Cambridge and RSA Examinations	103.4	59.6	(58.0)	5.9	110.9
	526.8	95.1	(95.3)	32.4	559.0
Fund balances are included in the consolidated balance sheet as:					
Expendable endowments	272.5				287.4
Permanent endowments	5.8				6.4
Restricted reserves	1.0				0.9
Unrestricted reserves	247.5				264.3
	526.8				559.0
Not consolidated					
Isaac Newton Trust, established by Trinity College (see note 37) to promote education, learning and research in the University (accounts drawn up to 30 June 2017)	8.7	2.0	(4.6)	0.8	6.9
University of Cambridge Veterinary School Trust, for the support of veterinary education in the University	1.9	1.7	(0.3)	0.1	3.4
One smaller scholarship trust	0.4	–	–	–	0.4
Registered clubs and societies:					
Cambridge University Amateur Dramatic Club	0.1	0.2	(0.2)	–	0.1
Cambridge University Boat Club	0.2	0.5	(0.4)	–	0.3
Cambridge University Dancers Club	–	0.1	(0.1)	–	–
Cambridge University Law Society	0.1	0.2	(0.2)	–	0.1
Cambridge University Students' RAG Appeal	–	0.1	(0.1)	–	–
Cambridge University Women's Boat Club Association	0.4	0.3	(0.4)	–	0.3
354 smaller clubs and societies	3.6	2.9	(2.8)	–	3.7
	15.4	8.0	(9.1)	0.9	15.2

39 Financial risk management

In the ordinary course of its activities, the University manages a variety of financial risks including credit risk, liquidity risk, currency risk and market risk. The principal risks and the University's approach to managing them are set out below. In view of the significance of the Cambridge University Endowment Fund (CUEF, see note 11), some aspects of financial risk management are considered for CUEF and non-CUEF separately.

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

a Credit risk

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

Credit risk exposure

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

	2018	2017
	£m	£m
Derivative financial instrument asset positions	**-**	37.4
Investment cash balances	**116.4**	110.5
Trade debtors: invoices receivable	**258.0**	232.6
Other debtors	**160.2**	147.3
Money market investments	**856.7**	237.8
Cash at bank	**75.7**	87.0
Total financial assets exposed to credit risk	**1,467.0**	852.6

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

Trade debtors: outstanding invoices	**264.3**	239.8
Less: Provision for impairment of receivables	**(6.3)**	(7.2)
	258.0	232.6

Trade debtors that are less than three months past their due date are not considered impaired unless they are included in the specific provision. At 31 July 2018, trade debtors with a carrying value of £59.0m (2017: £50.9m) were past their due date but not impaired.

	2018	2017
	£m	£m
Balances against which a provision has been made	**11.0**	10.6
Balances not past their due date	**194.3**	178.3
Up to 3 months past due	**45.6**	34.1
3 to 6 months past due	**6.3**	10.4
Over 6 months past due	**7.1**	6.4
	264.3	239.8

Movement on provision for impairment of receivables

Opening balance	**7.2**	6.7
Provided in year	**2.6**	2.1
Balances written off	**(3.5)**	(1.6)
Closing balance at 31 July	**6.3**	7.2

39 Financial risk management (continued)

a Credit risk (continued)

Risk management policies and procedures

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

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

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

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

Fitch credit quality rating (short / long term)		2018 £m	2017 £m
F1+ / AA	Highest / Very High	**7.4**	62.5
F1+ / AA -	Highest / Very High	**249.5**	18.8
F1 / A+	Highest / High	**288.6**	93.0
F1 / A	Highest / High	**276.9**	112.4
F1 / A -	Highest / High	**63.9**	1.5
F2 / A -	Good / High	**0.1**	-
F2 / BBB+	Good / Good	**30.1**	20.0
F3 / BBB	Fair / Good	**0.9**	-
Lower ratings		**15.0**	16.6
		932.4	324.8

b Liquidity risk

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

Risk management policies and procedures

The majority of the assets held by the CUEF are investments in quoted securities and in funds that are readily realisable. For those CUEF assets which are not readily realisable (typically requiring more than six months to realise) and where the CUEF has commitments to provide additional capital to private investments held within the portfolio on short notice there is risk mitigation in place. Limits are set for the extent of outstanding capital commitments in the CUEF and there is regular monitoring of the amounts of distributions and redemptions required and the extent of unpaid capital commitments to private investments, compared to actual and potential liquidity of the CUEF. While CUEF assets are not available to fund obligations beyond those of the CUEF, there is no significant liquidity risk in relation to the CUEF itself.

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

b Liquidity risk (continued)

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

	Three months or less	Between three months and one year	Between one and five years	More than five years	Total
	£m	£m	£m	£m	£m
As at 31 July 2018:					
Bond liabilities	**10.1**	**10.8**	**83.7**	**2,266.2**	**2,370.8**
Investments held on behalf of others	**440.8**	–	–	–	**440.8**
Bank overdraft	**14.0**	–	–	–	**14.0**
Finance leases	–	**1.4**	**1.2**	–	**2.6**
Other creditors excluding deferred income	**213.0**	**10.5**	**4.2**	**3.7**	**231.4**
Totals at 31 July 2018	**677.9**	**22.7**	**89.1**	**2,269.9**	**3,059.6**
As at 31 July 2017:					
Bond liabilities	6.6	6.6	52.5	750.3	816.0
Derivative financial instruments liability positions	37.4	–	–	–	37.4
Investments held on behalf of others	298.7	–	–	–	298.7
Bank overdraft	–	–	–	–	–
Bank and other loans	0.3	0.5	0.7	–	1.5
Finance leases	0.3	1.0	2.6	–	3.9
Other creditors excluding deferred income	159.5	–	–	–	159.5
Totals at 31 July 2017	502.8	8.1	55.8	750.3	1,317.0

Capital commitments, excluded from the above analysis, are disclosed at note 33.

c Market risk

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

CUEF

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

c (i) Currency risk

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

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

	2018	2017
Pounds Sterling	**48.3%**	50.1%
US Dollar	**41.5%**	40.0%
Euro	**1.7%**	0.6%
Japanese Yen	**3.8%**	3.8%
Other currency	**4.7%**	5.5%
	100.0%	100.0%

39 Financial risk management (continued)

c Market risk (continued)

c (i) (continued)

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

The following table summarises the significant assets and liabilities exposed to currency risk as at 31 July 2018:

	US Dollar $m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	2,418.4	184.2	1,843.7	164.3	346.9	2,354.9
CUEF forward currency contracts	(646.5)	(123.6)	(492.9)	(110.2)	(68.6)	(671.7)
Net exposure of CUEF	1,771.9	60.6	1,350.8	54.1	278.3	1,683.2
Exposures outside CUEF:						
Debtors	51.9	24.1	39.6	21.5	25.8	86.9
Cash balances	13.1	11.9	10.0	10.6	21.9	42.5
Creditors including bank and other loans	(38.7)	(8.8)	(29.5)	(7.8)	(19.3)	(56.6)
Forward currency contracts	(20.0)	(57.8)	(15.2)	(51.6)	–	(66.8)
Net exposure	**1,778.2**	**30.0**	**1,355.7**	**26.8**	**306.7**	**1,689.2**

The impact on total recognised gains for the year 2017-18 of additional 10% variations in the principal exchange rates would have been:

10% US Dollar appreciation	135.6
10% Euro appreciation	2.7

The following table summarises the significant assets and liabilities exposed to currency risk as at 31 July 2017:

	US Dollar $m	Euro €m	US Dollar £m	Euro £m	Other £m	Total £m
CUEF investment assets excluding currency contracts	2,235.2	129.6	1,695.5	115.9	342.1	2,153.5
CUEF forward currency contracts	(663.3)	(107.8)	(503.1)	(96.4)	(67.3)	(666.8)
Net exposure of CUEF	1,571.9	21.8	1,192.4	19.5	274.8	1,486.7
Exposures outside CUEF:						
Debtors	55.7	25.9	42.3	23.2	22.6	88.1
Cash balances	24.2	12.4	18.3	11.1	22.5	51.9
Creditors including bank and other loans	(33.6)	(6.8)	(25.5)	(6.0)	(19.2)	(50.7)
Forward currency contracts	–	(34.0)	–	(30.4)	–	(30.4)
Net exposure	1,618.2	19.3	1,227.5	17.4	300.7	1,545.6

The impact on total recognised gains for the year 2016-17 of additional 10% variations in the principal exchange rates would have been:

10% US Dollar appreciation	122.7
10% Euro appreciation	1.7

Risk management policies and procedures

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

39 Financial risk management (continued)

c Market risk (continued)

c (ii) Interest rate risk

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

Interest rate exposure and sensitivity

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

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

At 31 July 2018 the University held £0.0m (2017: £0.0m) corporate and overseas government bonds with fixed interest.

Risk management policies and procedures

The University takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The CUEF has limited risk exposure to interest rates as there is regular monitoring of the allocations made to fixed interest investments not intended to be held to maturity and confirming there is no fixed interest borrowing.

c (iii) Other price risk

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

This is a key risk for the University because of the significance of the endowments and other funds invested in the CUEF and the dependence of future plans on maintaining the value of CUEF units in real terms. Additionally the Indexed Bonds issued in June 2018 are subject to changes in the consumer price index with the fair value of these liabilities fluctuating at each reporting date dependent on the movement in this index.

Concentration of exposure to other price risk

As the majority of the CUEF's investments are carried at fair value, all changes in market conditions will directly affect the University's net assets. The fund's asset allocation at the reporting date is shown in note 11.

Risk management policies and procedures

The CUEF measures the value of most of its investments on a monthly basis, and the remainder quarterly using market value if available (otherwise fair value). There is regular monitoring of the asset allocation to identify if the current allocation is in line with the actual and intended future allocations agreed with the Investment Board. Variations are then considered as part of the ongoing investment decisions.

40 Fair value

Debtors and current liabilities are stated in the Group balance sheet at book values which are not materially different from their fair values. The fixed interest Bond liabilities are measured at amortised cost of £640.4m (2017: £342.5m, see note 27) whereas the fair value of the fixed interest Bond liabilities at 31 July 2018 was £785.5m (2017: £487.7m) based on the last reported trade.

The Indexed Bond liabilities are measured at fair value at the balance sheet date based on the latest reported trade.

The book values of the Group's other financial assets and long term liabilities, including pension obligations shown on the balance sheet are the same as the fair values.

Fair value measurements

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

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

The valuation techniques used are described in more detail in note 4 (iii) to the accounts.

40 Fair value(continued)

Investment assets at fair value at 31 July 2018:		**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
CUEF:	Quoted investments	**977.5**	**6.3**	**–**	**983.8**
	Unquoted investments	**–**	**2,152.5**	**0.1**	**2,152.6**
	Cash in hand and at investment managers	**116.4**	**–**	**–**	**116.4**
Total CUEF assets		**1,093.9**	**2,158.8**	**0.1**	**3,252.8**
Other quoted investments		**11.1**	**–**	**–**	**11.1**
Other unquoted investments		**–**	**21.7**	**54.9**	**76.6**
Investment properties		**–**	**497.8**	**–**	**497.8**
Money market investments		**63.1**	**–**	**–**	**63.1**
Cash in hand and at investment managers		**7.2**	**–**	**–**	**7.2**
Total investment assets at fair value		**1,175.3**	**2,678.3**	**55.0**	**3,908.6**
Derivative financial instruments liability positions (CUEF)		**–**	**–**	**–**	**–**
Total investments at fair value at 31 July 2018		**1,175.3**	**2,678.3**	**55.0**	**3,908.6**

Investment assets at fair value at 31 July 2017		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
CUEF:	Quoted investments	863.8	1.3	–	865.1
	Unquoted investments	–	2,012.6	2.8	2,015.4
	Derivative financial instruments asset positions	37.4	–	–	37.4
	Cash in hand and at investment managers	103.9	–	–	103.9
Total CUEF assets		1,005.1	2,013.9	2.8	3,021.8
Other quoted investments		12.2	–	–	12.2
Other unquoted investments		–	19.3	44.9	64.2
Investment properties		–	407.1	–	407.1
Money market investments		43.5	–	–	43.5
Cash in hand and at investment managers		6.6	–	–	6.6
Total investment assets at fair value		1,067.4	2,440.3	47.7	3,555.4
Derivative financial instruments liability positions (CUEF)		(37.4)	–	–	(37.4)
Total investments at fair value at 31 July 2017		1,030.0	2,440.3	47.7	3,518.0

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

	2018 £m	2017 £m
Fair value at 1 August	**47.7**	38.3
Purchases less sales proceeds	**(3.6)**	(2.9)
Total gains	**10.9**	12.3
Transfers in / (out) of Level 3	**–**	–
Fair value at 31 July	**55.0**	47.7

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

41 Post balance sheet events

Following an update from Universities UK, it is highly unlikely that there will be a decision around the level of USS deficit contributions before the end of 2018. This is because consultation around the level of deficit contributions is not timetabled in until December 2018. It is acknowledged that this is an ever-changing picture. However, in view of the fact that the deficit contributions will not be finalised before the end of 2018 neither an adjusting or non-adjusting post balance sheet event are required.

The back-stop date is February 2019 when the USS is required to make a submission to the Pensions Regulator with details of the contributions they will be implementing. This is likely to be the time when the level of the USS deficit will need to be recalculated, thereby impacting the University's results for 2018-19.

No allowance has been made for any additional liability that may arise from the impact of equalising Guaranteed Minimum Pensions (GMPs) between men and women. The Lloyd's Bank High Court ruling on 26 October 2018 confirmed that GMPs should be equalised from the date of the Barber judgement (17 May 1990). The Trustees of the pension schemes will be considering the implication of this as part of the next triennial valuation and whilst this is not expected to have a material impact, further analysis will be undertaken. This is therefore being reported as a non-adjusting post balance sheet event.

UNIVERSITY OF
CAMBRIDGE