

# **PETERHOUSE**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2014**

# PETERHOUSE

## FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

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# PETERHOUSE

## OBJECTS AND GOVERNANCE YEAR ENDED 30 JUNE 2014

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Peterhouse is an autonomous, self-governing community of scholars and is the oldest of the 31 colleges within the University of Cambridge.

The “laudable design” of Hugo de Balsham, as expressed in the College’s founding instruments, was “to introduce scholars in the schools, who are to live together and study in the University of Cambridge; to dwell in the same [College] for ever, and employ themselves with appropriate study, to the praise of God and the perpetual augmentation of the same university.”

This forms the basis for the College’s statutory purpose, namely to advance education, religion, learning and research through the provision of a College in the University of Cambridge. The College pursues its charitable objects for the public benefit through a wide variety of activities, including:

- admitting undergraduates from a diverse range of educational, social and cultural backgrounds for University courses and admitting graduate students from those accepted by the University;
- providing, in conjunction with the University, a world-class education for undergraduates, particularly through College-based individual or small-group supervision and direction of studies;
- supporting students financially and rewarding excellence and achievement through the provision of bursaries, scholarships, prizes and a range of grants, as well as assisting students in particular financial hardship;
- providing pastoral, administrative and academic support for both undergraduates and graduate students through the Tutorial system and other welfare mechanisms;
- providing library, computing, cultural, sporting and social facilities to enable students to achieve their full potential both academically and otherwise;
- providing accommodation, catering and other services for both students and Fellows to underpin the concept of a multi-disciplinary academic community;
- promoting academic research of the highest quality through annual competitions for election to Research Fellowships and Research Studentships, through supporting the research activities of both Fellows and graduate students, and welcoming academic visitors from other institutions;
- maintaining services in the Chapel daily during Full Term, promoting the activities of the Choir and fostering the spiritual welfare of College members irrespective of denomination or faith;
- preserving and enhancing the endowments and benefactions, historic buildings and grounds of the College for the benefit of future generations.

As part of a collegiate university the long-term success of the College as a centre of academic and educational excellence is dependent upon the continuance of the University of Cambridge’s world-class standing.

Formally “The Master (or Keeper) and Fellows of Peterhouse in the University of Cambridge”, Peterhouse is a charitable corporation established by Letters Patent dated 31 March, 1284 and granted royal assent by Charter of King Edward I on 28 May, 1285. The College is a registered charity (No. 1137457), with its principal address at Trumpington Street, Cambridge, CB2 1RD.

The College is governed in accordance with its Statutes, made in 1926 and variously amended from time to time by Order of Her Majesty in Council. The Statutes of the University of Cambridge and specific legislation covering the University of Cambridge also apply to the College.

The Statutes of the College lay down the constitution and arrangements for governance of the College. They describe, among other things, the membership and responsibilities of the Governing Body; the election and duties of the Master; the election, admission, tenure and removal of Fellows; and the appointment and duties of College Officers. The Statutes are supplemented by orders for the regulation of the College’s affairs, made by the Governing Body in accordance with the Statutes.

The Visitor of the College is the Bishop of Ely.

# PETERHOUSE

## OBJECTS AND GOVERNANCE (CONTINUED) YEAR ENDED 30 JUNE 2014

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The Governing Body consists of the Master and the Official, Professorial and Supernumerary Fellows, and its members are the charity trustees of the College, appointed by the Governing Body in accordance with the Statutes of the College. The Governing Body is responsible for the strategic direction of the College, for its on-going administration and for the management of its finances and assets. It usually meets fortnightly during Full Term. All members of the Governing Body are given on appointment a copy of the Statutes and Financial Statements of the College, the policy of the College for the management of conflicts of interest and Charity Commission Leaflet CC29.

The Master is elected to office by the members of the Governing Body; the Master is responsible for general oversight of the affairs of the College and chairs the Governing Body.

The other College Officers most involved in the governance of the College are as follows: the Senior Tutor, who has overall responsibility for the education and welfare of students; the Bursar, who is responsible for managing the College's finances and most of its domestic operations; and the Dean, who is responsible for overseeing the Chapel and representing the College in its role as patron of a number of parishes.

The Fellows also participate in the governance of the College through membership of a variety of committees established to support the work of the Governing Body, including the Development Committee, Education Committee, Finance Committee, Estates & Investments Committee, Buildings, Fabric & Gardens Committee, Research Fellowships Committee and Staff Committee. In addition, the Governing Body appoints two Examiners of Accounts and various Auditors every year to supplement the work of the external auditors.

The members of the Governing Body during the year ended 30 June 2014 were as follows:

Professor A K Dixon (Master)

Dr R J C Munday

Dr P Pattenden

Dr S N Solomou

Professor M A Parker

Professor P C Woodland

Professor S F Deakin

Dr S E Jackson

Professor B P Simms

Dr M C Jones

Dr J N B Carleton Paget

Professor A M L Lever

Dr J M B Wallace

Mr S H Mandelbrote

Dr A J White

Professor P A Midgley

Dr R I Ross Russell

Dr C V H Baker (until 30 September 2013)

Dr D D Symons

Dr M J Ryan

Dr C D J Tilmouth

The Revd Dr S W P Hampton

Dr A Zsák

Dr C G Lester

Professor W J Stirling (until 30 September 2013)

Professor T M Crane

Dr F M Becker

Dr J A Kirshner (until 31 December 2013)

Dr S M Murk Jansen

Professor M Moriarty

Professor S K Connor

Dr T P Hooper

Mr I N M Wright

Dr J P Talbot

Dr T K Dickens (from 1 October 2013)

Professor R J Holton (from 1 October 2013)

Dr A C Hansen (from 1 January 2014)

# PETERHOUSE

## ADVISORS YEAR ENDED 30 JUNE 2014

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### Solicitors

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

### Property Managers

Bidwells LLP  
Trumpington Road  
Cambridge  
CB2 9LD

Knight Frank LLP  
20 Hanover Square  
London  
W1S 1HZ

### Fund Managers

Credit Suisse (UK) Ltd  
Five Cabot Square  
London  
E14 4QR

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London  
EC4A 3BB

### Auditors

Price Bailey LLP  
Chartered Accountants and Statutory Auditors  
The Quorum  
Barnwell Road  
Cambridge  
CB5 8RE

### Bankers

Barclays Bank PLC  
Cambridge Business Centre  
Cambridge  
CB2 3PZ

# PETERHOUSE

## REVIEW OF ACTIVITIES YEAR ENDED 30 JUNE 2014

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75 full time undergraduates were admitted in the year 2013-14, bringing the total across all years to 252; the new intake can be broken down as to 55/45% arts and sciences, and 53/47% male and female; the intake was composed of 57 Home students, 11 EU students and 7 Overseas students; applicants are assessed on the basis of their potential as well as their achievements to date. The number of graduate students totalled 153.

The College aims to provide supervision and direction of studies by its own Fellows in most of the principal subjects offered by the University; a Professorial Fellow in Philosophy joined the Fellowship during the year as well as two Fellows providing teaching in Chemistry and Mathematics.

212 undergraduates sat classed University examinations in 2014 and all passed, with 84% obtaining grades in the First Class or the upper division of the Second Class (or in the undivided Second Class); the performance overall was an improvement on the previous year; ten undergraduates were awarded University prizes; 22 graduate students successfully completed an MPhil or other one-year graduate course, 5 completed clinical studies and 21 satisfied the requirement for the degree of PhD.

78 undergraduates – some 31% of those potentially eligible – received means-tested awards totalling £211k under the centralised Cambridge Bursary Scheme, a higher level than the previous year, with 47 of the awards at the maximum value; the scheme is intended to ensure that no UK or EU student should be deterred from applying to Cambridge because of financial considerations; the Tutors deployed a further £56k to make loans and grants to support undergraduates facing particular financial hardship; scholarships and prizes worth some £42k were awarded by the Governing Body to recognise and reward excellence and achievement, while grants for recreational travel and vacation study came to £12k.

The Ward Library added a further 1,617 volumes during the year, on the recommendation of both Fellows and students and the project to update the catalogue of the College's rare book collections continued; substantial work took place on the new Whittle building, and construction is now largely complete on this project; the refurbishment of Fen Court was completed during the year; and a graduate house in Warkworth Street was also refurbished. The College made grants totalling £64k to its official student bodies, the Sexcentenary Club (JCR) and Graduate Society to enable them to provide social and sporting support to their members.

Three Research Fellows specialising in Physics, Archaeology and Anthropology, and History of Art were appointed through the annual competition, each for an initial three year term, bringing the number of Research Fellows to eight: these Fellowships enable outstanding academics at the early stages of their careers to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post; on the recommendation of the Research Studentships Committee a further six Research Studentships were awarded to graduate students on the basis of merit to cover their academic fees and maintenance expenses, bringing the annual cost of the scheme to £143k; the Tutors made other grants and awards totalling £42k to graduate students in order to offset research and maintenance expenses; research allowances totalling £38k were provided in support of Fellows' research activities; a Visiting Professor in Chamber Music, a Visiting Fellow in Archaeology, a Visiting Fellow in Criminology and seven Senior Research Associates, one in History, one in Architecture, one in Molecular Biology, one in Theology and Religious Studies, one in Neuroscience, one in Law and one in Engineering, were appointed for varying terms. Four Research Associateships were also granted to post-doctoral workers with no Cambridge College connection.

The Chapel occupied its usual place at the heart of the College's spiritual life, with a variety of religious services taking place daily during Full Term, underpinned by Peterhouse's strong choral tradition.

Additional information about the College's activities can be found in the *Peterhouse Annual Record* and *Peterhouse*, the College newsletter, as well as on its website ([www.pet.cam.ac.uk](http://www.pet.cam.ac.uk)).

# PETERHOUSE

## REVIEW OF ACTIVITIES (CONTINUED) YEAR ENDED 30 JUNE 2014

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In terms of plans for the future, the College aims to pursue and develop its existing strategy, aiming in particular:

- to attract outstanding applicants for undergraduate courses from a diverse range of educational, social and cultural backgrounds through the deployment of a range of outreach activities;
- to upgrade the College's stock of accommodation, and also its academic, cultural, sporting and social facilities, in order to reinforce its position in a competitive marketplace and further reduce operating costs;
- to deploy the range of general and specialist hardship funds built up in recent years to support both undergraduates and graduate students experiencing financial difficulties;
- to extend support for the College's research activities against a background of funding cuts, with additional appointments to Research Fellowships where possible, and to continue the expansion of its Research Studentships scheme for the most talented graduate students.

# PETERHOUSE

## FINANCIAL REVIEW YEAR ENDED 30 JUNE 2014

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The financial statements for the year to 30 June 2014 have been prepared in the RCCA format. The external auditors' opinion is unqualified. The College's two wholly-owned subsidiaries, Peterhouse Library Charity Limited, which provides the College with library services, and Peterhouse Enterprises Limited (PEL), engaged in property development, have both been consolidated. At the end of the year the College also set up a new subsidiary Peterhouse Conferences and Events Limited. This company did not trade during the year, although it is expected that this will be used to exploit certain commercial opportunities and gift aid profits to the College in the future.

The College seeks to run the income and expenditure account approximately at breakeven whilst gradually growing spend on its charitable activities. To this end the College is expanding its studentship programme and has increased the number of Junior Research Fellows. At the same time it continues to seek to develop and enhance its facilities and has undertaken a substantial construction project comprising the refurbishment of Fen Court and the development of the new Whittle building in Gisborne Court. This year the College showed a deficit of £239k.

### Income/Expenditure

Income from Academic Fees and Charges increased by 4.1% on the prior year reflecting some underlying growth in per capita fees and a change in the mix of fee paying students. Income from Residences, catering and conferences rose by 5.9% on the prior year. This reflected a combination of the annual increase in student room rates and the recovery of conference activity. In contrast Endowment income declined by 4.7%, which reflected a rebalancing of the marketable securities portfolio at the start of the year and the impact of £200k of non-recurring income in the previous year. Overall College Income rose by £17k (0.2%).

The College's expenditure in contrast rose by £295k (2.8%). Staff costs excluding actuarial adjustments under FRS17 rose by 3.4% reflecting increases in salaries together with a very modest increase in staff numbers and Junior Research Fellows. Education expenditure rose as a result of increased expenditure on Teaching, Bursaries and Grants. The College also acquired a collection of papers associated with Sir Frank Whittle with the generous support of donors. This one off cost is included in Fellowship expenditure. Total depreciation rose by £125k as a result of the additional capitalised expenditure arising from the new building. This trend will continue until all the new building work is brought into use.

### Capital Expenditure/Cash Flow

Significant sums were invested in the construction of the Whittle building in Gisborne Court and the refurbishment of Fen Court. Refurbishment works were carried out on graduate accommodation in Warkworth Street and also on a large set in Old Court. The need to maintain the College's operational buildings, most of which are listed and of historic importance, and ensure their compliance with new regulations places a significant financial burden on the College.

The staff pension scheme continued to move further into deficit in 2014 (under FRS17), driven primarily by the lower discount rate, higher than expected inflation, and mortality rates. This scheme is now closed to new entrants.



# PETERHOUSE

## FINANCIAL REVIEW YEAR ENDED 30 JUNE 2014

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### Investments

The College's survival in its present form is dependent on its endowment capital, which contributes over half its income and has additionally to absorb deficits and provide the funds for necessary building works. The College's investment objective, implemented under the supervision of its Estates & Investments Committee, is to manage its endowment to produce a steadily rising income stream whilst ensuring the long-term preservation of capital value in real terms.

The combined net value of our properties, equities, alternative investments and cash (net of debt) increased by 6.2% for the year, consolidating the 7.2% advance seen in the previous year.

The College operates an ethical investment policy. Under the terms of that policy and having regard to the requirements of charity law to maximise returns, the College seeks to ensure that investments are not made in companies whose practices it believes to be in conflict with the charitable purposes of the College.

### Reserves

Peterhouse's unrestricted funds at the year-end amounted to £252.3m and are represented in the balance sheet by the College's operational buildings – which are used for academic and residential purposes – and by part of the investment portfolio. The Governing Body believes that reserves on this scale are necessary for the College to meet its charitable objectives and that they provide the stability for the institution to operate in perpetuity. The Governing Body is mindful to maintain an equitable balance between the interests of current members of the College and future generations.

### Risk Management

In the course of their supervision of the College's activities, the College Officers and Committees, within their respective terms of reference and reporting to the Governing Body, routinely identify and manage the major risks to which the College and its subsidiaries are or may be exposed.

### Fundraising

The existence and success of Peterhouse is a reflection of the outstanding generosity over time of Petreans and other benefactors. The College's development campaign, launched in 2004 to address the overall shortfall in capital, has continued to make a meaningful contribution, with cash donations of £2,442k received during the year (2013: £1,121k). A significant portion of this has been raised towards the new building work (£919k). The combined costs of fundraising and member relations remained at similar levels to the prior year £169k (2013: £161k).

### Outlook and Principal Risks

While Peterhouse is fortunate in being a relatively well-endowed College, it continues to face financial challenges many of which are common to the University and other Cambridge colleges. Government funding for teaching and research has been cut back, with fees for students rising steeply in recent years. Operating costs in the meantime have been subject to perennial and significant inflationary pressures. Peterhouse seeks to respond to these challenges by focussing on efficient financial management and endeavouring to steward its existing resources to best effect. However if it is to develop the activities that are critical to its mission such as research studentships, and to continue to progress its capital expenditure plans across its substantial operational estate, it is clear that the College will need to raise additional funds over the coming years.

# PETERHOUSE

## STATEMENT OF INTERNAL CONTROL AND RESPONSIBILITIES OF THE GOVERNING BODY YEAR ENDED 30 JUNE 2014

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The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for the period. In preparing these financial statements, the Governing Body is required to:

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

The Governing Body is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements comply with the Statutes of the University of Cambridge. The Governing Body is also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

The systems of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2014 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control.

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

# PETERHOUSE

## REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF PETERHOUSE, CAMBRIDGE YEAR ENDED 30 JUNE 2014

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

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

### **Respective Responsibilities of the Governing Body and Auditors**

As explained more fully in the Governing Body's Responsibilities Statement set out on page 9, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 2011 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial information in the Report of the Trustees to identify material inconsistencies, with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

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

# PETERHOUSE

## REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF PETERHOUSE, CAMBRIDGE (CONTINUED) *YEAR ENDED 30 JUNE 2014*

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### **Matters on which we are required to report by exception**

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

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

### **Price Bailey LLP**

**Chartered Accountants  
Statutory Auditors**

**The Quorum  
Barnwell Road  
Cambridge  
CB5 8RE**

**Dated: 9 December 2014**

Price Bailey LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# PETERHOUSE

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES YEAR ENDED 30 JUNE 2014

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### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom accounting standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 6.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets.

### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary undertakings. Details of the subsidiary undertakings included are set out in note 7. Intra-group balances are eliminated on consolidation. The consolidated financial statements do not include the activities of student societies.

### **Recognition of income**

#### **a. Unrestricted funds**

All income including that from the investment of unrestricted funds and from student fees and charges is credited to the Income and Expenditure Account on a receivable basis.

Unrestricted funds received through the Peterhouse Development Fund are normally transferred to income in the year of receipt. Exceptionally the Governing Body can designate such funds as received as capital.

College fee income is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

#### **b. Restricted funds**

Income from the investment of restricted funds is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year. As far as possible, appropriate expenditure is identified and charged against restricted income.

Income from permanent capital funds and short-term deposits is credited to the Income and Expenditure Account in the year in which it becomes receivable.

Benefactions and donations accepted on condition that only the income may be spent are credited to the balance sheet as permanent capital funds. The income from a permanent capital fund is shown as income in the year that it is receivable. Income from a permanent capital fund that is not expended in the year in which it is receivable is, at the year-end, transferred from the income and expenditure account to a restricted or unrestricted expendable capital fund, as appropriate. When there is subsequent expenditure of accumulated income from a restricted capital fund, income is credited back to the income and expenditure account from the restricted expendable capital fund to match the expenditure.

Restricted benefactions and donations that are used to fund capital projects are initially credited to a restricted expendable capital fund, and then released over the same estimated useful life that is used to determine the depreciation charge for the capital project.

# PETERHOUSE

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) YEAR ENDED 30 JUNE 2014

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### Pension schemes

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate, trustee-administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The College also participates in Cambridge Colleges' Federated Pension Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension, formerly the State Earnings-Related Pension Scheme.

### Tangible fixed assets

#### a. Land and buildings

Land and buildings, apart from major renovations since 1 August 1993, are stated at depreciated replacement cost. Major renovations to College buildings since 1 August 1993 have been included in the Balance Sheet at cost less depreciation. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not capitalised.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

#### b. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £3,000 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum on the straight line basis
Computer equipment	25% per annum on the straight line basis
Motor vehicles	20% per annum on the straight line basis

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

No value is included in the Balance Sheet in respect of rare books, silver, works of art and other assets not related to education, since they are deemed to be inalienable.

### Investments

Listed investments are included in the balance sheet at market value. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Unrealised gains and losses on investments are taken to the Statement of Total Recognised Gains and Losses, as are realised gains and losses on the sale of investments.

The realised gains and losses on the sale of investments are the result of comparing proceeds with the previous Balance Sheet carrying value or subsequent cost of addition.

# PETERHOUSE

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) YEAR ENDED 30 JUNE 2014

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### **Investment properties**

Investment land and buildings are stated at market value. On revaluation any unrealised gains and losses are taken to the Statement of Total Recognised Gains and Losses.

No depreciation is charged in the intervening years, although a review for impairment is carried out each year, if events or changes in circumstances indicate that the carrying value may be excessive.

Realised gains and losses on the sale of investment properties are taken to the Statement of Total Recognised Gains and Losses.

### **Stocks and work in progress**

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

### **Provisions**

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

### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. Exchange gains and losses are taken to the revenue account when identified.

### **Taxation**

The College is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

### **Contribution under Statute G,II**

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

### **Subsidiary companies**

The College has three wholly owned subsidiaries. The College has consolidated Peterhouse Library Charity Limited and Peterhouse Enterprises Limited. At the end of the year the College also created a new subsidiary Peterhouse Conferences and Events Limited. This company did not trade during the year.

Investments in subsidiaries are carried in the College Balance Sheet at cost with a review for impairment undertaken every year.

# PETERHOUSE

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 30 JUNE 2014

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		<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
<b>INCOME</b>	Note		
Academic fees and charges	1	1,449	1,392
Residences, catering and conferences	2	2,790	2,635
Endowment income	3	5,947	6,238
Donations and benefactions		400	316
Other income		154	142
Total income		<u>10,740</u>	<u>10,723</u>
<b>EXPENDITURE</b>			
Education	4	3,310	3,212
Residences, catering and conferences	5	3,086	2,992
Fellowship		353	273
Other expenditure		2,087	2,087
Depreciation of operational buildings		1,902	1,879
Total expenditure		<u>10,738</u>	<u>10,443</u>
Operating surplus		2	280
Contribution under Statute G,II		<u>(241)</u>	<u>(235)</u>
<b>SURPLUS FOR THE YEAR</b>		<u><u>(239)</u></u>	<u><u>45</u></u>

All of the above results derive from continuing operations.

The accompanying notes are an integral part of this Income and Expenditure account.



# PETERHOUSE

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 30 JUNE 2014

	Note	Restricted funds £000	Unrestricted funds £000	Total 2014 £000	Total 2013 £000
At 1 July 2013		13,357	243,033	256,390	240,126
Retained (deficit) / surplus for the year		-	(239)	(239)	45
Unspent restricted fund income		34	-	34	76
Unrealised gains/(losses) on investments		-	2,880	2,880	5,022
Unrealised gains on investment properties		-	6,837	6,837	9,201
Unrealised gains attributed to restricted funds		355	(355)	-	-
Realised gains on sale of investment properties		-	-	-	795
Realised gains on sale of investments		-	881	881	948
Miscellaneous capital receipts		-	(1)	(1)	132
Restricted permanent capital receipts		1,122	-	1,122	19
Restricted expendable capital receipts		919	-	919	709
Actuarial losses	14	-	(764)	(764)	(683)
Total recognised gains for the year		2,430	9,239	11,669	16,264
At 30 June 2014		15,787	252,272	268,059	256,390

# PETERHOUSE

## BALANCE SHEETS AS AT 30 JUNE 2014

	Note	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
<b>FIXED ASSETS</b>					
Tangible assets	7a	97,956	96,945	94,065	93,029
Investments	7b	176,450	182,375	167,671	173,760
		<u>274,406</u>	<u>279,320</u>	<u>261,736</u>	<u>266,789</u>
<b>ENDOWMENT ASSETS</b>	7b	15,787	15,787	13,357	13,357
<b>CURRENT ASSETS</b>					
Stocks and work in progress	8	799	406	766	410
Debtors	9	1,713	2,865	1,890	3,034
Cash at bank and in hand		7,425	7,329	10,198	9,922
		<u>9,937</u>	<u>10,600</u>	<u>12,854</u>	<u>13,366</u>
Creditors: amounts falling due within one year	10	(2,107)	(2,096)	(2,171)	(1,810)
<b>Net current assets</b>		<u>7,830</u>	<u>8,504</u>	<u>10,683</u>	<u>11,556</u>
<b>Total assets less current liabilities</b>		298,023	303,611	285,776	291,702
Creditors: amounts falling due after more than one year	11	(26,971)	(32,847)	(27,300)	(33,247)
<b>Net assets excluding pension liability</b>		<u>271,052</u>	<u>270,764</u>	<u>258,476</u>	<u>258,455</u>
Pension liability	14	(2,993)	(2,993)	(2,086)	(2,086)
<b>NET ASSETS including pension liability</b>		<u>268,059</u>	<u>267,771</u>	<u>256,390</u>	<u>256,369</u>

# PETERHOUSE

## BALANCE SHEETS (CONTINUED) AS AT 30 JUNE 2014

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### Represented by:

		Restricted funds 2014 £000	Unrestricted funds 2014 £000	Group Total 2014 £000	College Total 2014 £000	Group Total 2013 £000	College Total 2013 £000
<b>Endowments</b>							
Permanent endowments	12	11,801	-	11,801	11,801	10,259	10,259
Expendable endowments	12	3,986	-	3,986	3,986	3,098	3,098
		<u>15,787</u>	<u>-</u>	<u>15,787</u>	<u>15,787</u>	<u>13,357</u>	<u>13,357</u>
<b>Reserves</b>							
Operational property reserve		-	94,047	94,047	92,978	94,047	92,978
General reserves		-	158,225	158,225	159,006	148,986	150,034
<b>TOTAL</b>		<u>15,787</u>	<u>252,272</u>	<u>268,059</u>	<u>267,771</u>	<u>256,390</u>	<u>256,369</u>

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 12 to 36 were approved by the Governing Body on 1 December 2014 and signed on their behalf by:

Name: I N M Wright, Senior Bursar

Name: Professor A K Dixon, Master

# PETERHOUSE

## CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 30 JUNE 2014

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	Note	2014 £000	2013 £000
<b>A. OPERATING ACTIVITIES</b>			
Operating surplus before University contribution		2	280
Depreciation	7a	2,459	2,334
Pensions contributions paid / FRS17 adjustment		143	88
Unspent restricted fund income		34	76
Endowment income		(5,947)	(6,238)
Increase in stocks		(33)	(241)
Decrease / (Increase) in debtors		177	(94)
Increase in creditors		383	463
		<hr/>	<hr/>
Net cash outflow from operating activities		(2,782)	(3,332)
<b>B. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Endowment income		5,947	6,238
		<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance		5,947	6,238
<b>C. CONTRIBUTION TO COLLEGES FUND</b>			
		(235)	(202)
<b>D. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Receipts from sale of investment assets		9,505	424
Donations and benefactions		2,041	728
Other capital receipts		(1)	132
		<hr/>	<hr/>
Total capital receipts		11,545	1,284
Payments to acquire tangible fixed assets		(5,215)	(3,961)
Payments to acquire investment assets		(11,251)	(86)
		<hr/>	<hr/>
Total capital expenditure		(16,466)	(4,047)
Net cash outflow from capital transactions		(4,921)	(2,763)
Net cash outflow before financing		(1,991)	(59)
		<hr/>	<hr/>

# PETERHOUSE

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) YEAR ENDED 30 JUNE 2014

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	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>E. FINANCING</b>		
Decrease in bank loan	(400)	(400)
	<u>(400)</u>	<u>(400)</u>
Net cash outflow from financing	(400)	(400)
	<u>(400)</u>	<u>(400)</u>
<b>F. DECREASE IN CASH</b>	(2,391)	(459)
	<u>(2,391)</u>	<u>(459)</u>
<b>Reconciliation of net cash flow to movement in net liquid assets</b>		
Decrease in cash in the period	(2,391)	(459)
Net funds brought forward at 1 July	9,816	10,275
	<u>9,816</u>	<u>10,275</u>
<b>Net funds carried forward at 30 June</b>	<u>7,425</u>	<u>9,816</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS YEAR ENDED 30 JUNE 2014

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<b>1</b>	<b>ACADEMIC FEES AND CHARGES</b>	<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
	<b>College fees</b>		
	Fee income paid on behalf of Undergraduates at the publicly-funded Undergraduate rate (per capita fee £4,500 / £4,068)	958	903
	Privately-funded Undergraduate fee income (per capita fee £5,573)	176	149
	Fee income received at the Graduate fee rate (per capita fee £2,424)	254	268
	Other income	61	72
	Total	<u>1,449</u>	<u>1,392</u>
<b>2</b>	<b>INCOME FROM RESIDENCES, CATERING AND CONFERENCES</b>	<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
	Accommodation		
	College members	1,249	1,211
	Conferences	420	374
	Catering		
	College members	730	695
	Conferences	391	355
	Total	<u>2,790</u>	<u>2,635</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 3 ENDOWMENT INCOME

	Income from restricted funds for collegiate purposes	Income from unrestricted funds	Total	Total
	2014	2014	2014	2013
	£000	£000	£000	£000
Income from:				
Freehold land and buildings	-	4,160	4,160	4,225
Charities Property Common Investment Fund	-	301	301	297
Quoted securities – equities	-	1,423	1,423	1,624
Cash	-	63	63	92
Income generated on restricted funds	342	(342)	-	-
Total	<u>342</u>	<u>5,605</u>	<u>5,947</u>	<u>6,238</u>

#### Investment Management Costs:

	2014	2013
	£000	£000
Freehold land and buildings	143	126
Quoted securities – equities	74	56
Cash	5	4
Total	<u>222</u>	<u>186</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 4 EDUCATION EXPENDITURE

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Teaching	1,388	1,324
Tutorial	398	399
Admissions	216	212
Research	421	428
Scholarships and awards	488	448
Other educational facilities	396	398
Other expenditure	3	3
Total	<u>3,310</u>	<u>3,212</u>

### 5 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

		<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
Accommodation	College members	1,078	1,072
	Conferences	537	533
Catering	College members	1,067	1,012
	Conferences	404	375
Total		<u>3,086</u>	<u>2,992</u>



# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 6a ANALYSIS OF 2014 EXPENDITURE BY ACTIVITY

	<b>Staff costs £000</b>	<b>Other operating expenses £000</b>	<b>Depreciation £000</b>	<b>Total £000</b>
Education (note 4)	1,776	1,353	181	3,310
Residences, catering and conferences	1,470	1,267	349	3,086
Other	284	2,129	27	2,440
	<u>3,530</u>	<u>4,749</u>	<u>557</u>	<u>8,836</u>

### 6b ANALYSIS OF 2013 EXPENDITURE BY ACTIVITY

	<b>Staff costs £000</b>	<b>Other operating expenses £000</b>	<b>Depreciation £000</b>	<b>Total £000</b>
Education	1,717	1,351	144	3,212
Residences, catering and conferences	1,422	1,286	284	2,992
Other	275	2,058	27	2,360
	<u>3,414</u>	<u>4,695</u>	<u>455</u>	<u>8,564</u>

### 6c AUDITORS REMUNERATION

	<b>2014 £000</b>	<b>2013 £000</b>
Audit fees payable to the College's external auditors	15	15
Total	<u>15</u>	<u>15</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

### 7 FIXED ASSETS

7a Tangible fixed assets	Operational buildings	Group			Total	College			Total
		New works	Other			Operational buildings	New Works	Other	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Cost/valuation</b>									
At 1 July 2013	93,970	21,472	254	115,696	93,970	20,221	232	114,423	
Additions	-	5,162	53	5,215	-	5,162	53	5,215	
Transfers	1,135	-	-	1,135	1,135	-	-	1,135	
At 30 June 2014	<u>95,105</u>	<u>26,634</u>	<u>307</u>	<u>122,046</u>	<u>95,105</u>	<u>25,383</u>	<u>285</u>	<u>120,773</u>	
<b>Depreciation</b>									
At 1 July 2013	17,447	3,948	236	21,631	17,447	3,766	181	21,394	
Charge for the year	1,902	533	24	2,459	1,902	508	24	2,434	
Transfers	-	-	-	-	-	-	-	-	
At 30 June 2014	<u>19,349</u>	<u>4,481</u>	<u>260</u>	<u>24,090</u>	<u>19,349</u>	<u>4,274</u>	<u>205</u>	<u>23,828</u>	
<b>Net book value</b>									
At 30 June 2014	<u>75,756</u>	<u>22,153</u>	<u>47</u>	<u>97,956</u>	<u>75,756</u>	<u>21,109</u>	<u>80</u>	<u>96,945</u>	
At 30 June 2013	<u>76,523</u>	<u>17,524</u>	<u>18</u>	<u>94,065</u>	<u>76,523</u>	<u>16,455</u>	<u>51</u>	<u>93,029</u>	

The operational buildings were valued by Bidwells LLP and Gerald Eve at their insurance value as at 30 June 2009. A full valuation is undertaken every five years; the valuation is updated in interim periods.

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

### 7 Fixed assets (continued)

#### 7b Investment assets and Endowment assets

	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Balance at 1 July 2013	181,028	187,117	165,851	171,940
Additions	11,250	11,250	86	86
Disposals	(6,181)	(6,181)	(2,570)	(2,570)
Transfers	(1,135)	(1,135)	(451)	(451)
Appreciation on disposals/revaluation	10,597	10,433	14,238	14,238
Increase/(decrease) in cash balances	(3,322)	(3,322)	3,874	3,874
Balance at 30 June 2014	<u>192,237</u>	<u>198,162</u>	<u>181,028</u>	<u>187,117</u>
Represented by:				
Freehold land and buildings	133,579	132,864	126,018	125,467
Quoted securities – equities	48,381	48,381	41,464	41,464
Other Investment Funds	9,366	9,366	9,313	9,313
Cash held for reinvestment	911	911	4,233	4,233
Subsidiary companies	-	6,640	-	6,640
	<u>192,237</u>	<u>198,162</u>	<u>181,028</u>	<u>187,117</u>
Analysed as:				
Investment assets	176,450	182,375	167,671	173,760
Endowment assets	15,787	15,787	13,357	13,357
	<u>192,237</u>	<u>198,162</u>	<u>181,028</u>	<u>187,117</u>

Investments assets and endowment assets are managed as a single pool and are both included within the note above.

The investment properties were valued by Knight Frank LLP and Bidwells LLP as at 30 June 2014.

The investment in subsidiaries represents 100% of the issued share capital of Peterhouse Enterprises Limited (“PEL”) and Peterhouse Library Charity Limited (“PLCL”).

PEL develops property and holds property for rental. Any taxable revenue surplus is paid, under the Gift Aid scheme, to the College. At 30 June 2014 the company had share capital and reserves totalling £7,041,083 and the loss after tax for the year then ended was £29,357.

PLCL provides library services to the College. At 30 June 2014 the company had a surplus on members reserves totalling £554,018 and the net incoming resources for the year then ended were £72,967.

At the end of the year the College also created a new subsidiary Peterhouse Conferences and Events Limited. This company did not trade during the year.

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

8	<b>STOCKS AND WORK IN PROGRESS</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
	Stock and work in progress	799	406	766	410
		<u>799</u>	<u>406</u>	<u>766</u>	<u>410</u>
9	<b>DEBTORS</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
	Trade debtors	311	311	359	350
	Amounts owed by group undertakings	-	1,350	-	1,350
	Other debtors	1,402	1,204	1,531	1,334
		<u>1,713</u>	<u>2,865</u>	<u>1,890</u>	<u>3,034</u>
10	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
	Bank loans and overdrafts	-	313	382	382
	Students' prepayments (Caution money)	17	17	18	18
	Other creditors	2,090	1,766	1,771	1,410
		<u>2,107</u>	<u>2,096</u>	<u>2,171</u>	<u>1,810</u>
11	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
	Other creditors	71	-	-	-
	Amounts owed to subsidiary company	-	5,947	-	5,947
	Bank loans	26,900	26,900	27,300	27,300
		<u>26,971</u>	<u>32,847</u>	<u>27,300</u>	<u>33,247</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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Included within creditors due in more than one year are the following loans and facilities:

£8 million due for repayment by 27/2/2031. The loan bears fixed interest rates of 4.345% on £1 million, 4.415% on £2 million and 4.575% on £5 million.

£16 million due for repayment by 12/11/2057. The loan bears fixed interest rates of 4.970% on £8 million and 5.005% on £8 million.

There is also a revolving credit facility with the bank for £8 million which bears interest at 0.50% above the LIBOR rate. During the year and at the year end the effective interest rate was therefore 0.725%.

### 12 ENDOWMENTS

	Restricted permanent	Total permanent	Restricted expendable	Group Total 2014	College Total 2014	Group Total 2013	College Total 2013
<b>Balance at beginning of year:</b>							
Capital and unspent income	10,259	10,259	3,098	13,357	13,357	12,237	12,237
New endowments received	1,122	1,122	919	2,041	2,041	728	728
Income receivable from endowment asset investments	331	331	251	582	582	478	478
Expenditure	(298)	(298)	(250)	(548)	(548)	(402)	(402)
Net transfer (to)/from income and expenditure account	33	33	1	34	34	76	76
Increase in market value of investments	322	322	33	355	355	316	316
Transfer	65	65	(65)	-	-	-	-
<b>Balance at end of year</b>	<b>11,801</b>	<b>11,801</b>	<b>3,986</b>	<b>15,787</b>	<b>15,787</b>	<b>13,357</b>	<b>13,357</b>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

	Restricted permanent	Total permanent	Restricted expendable	Group Total 2014	College Total 2014	Group Total 2013	College Total 2013
<b>Representing</b>							
Music	-	-	49	49	49	52	52
Works of art etc	-	-	1	1	1	1	1
Research, studentship scholarship funds	9,418	9,418	126	9,544	9,544	8,107	8,107
Student hardship	1,624	1,624	22	1,646	1,646	1,560	1,560
Boat club fund	-	-	184	184	184	166	166
Cricket club	-	-	3	3	3	2	2
Prizes	336	336	2	338	338	326	326
Perne Library	-	-	28	28	28	30	30
Travel Grants	253	253	-	253	253	248	248
Library fund	51	51	3	54	54	54	54
Garden fund	107	107	-	107	107	104	104
Chapel	-	-	22	22	22	15	15
Kelvin fund	12	12	-	12	12	12	12
Combination Room	-	-	-	-	-	-	-
Buildings fund	-	-	3,546	3,546	3,546	2,680	2,680
<b>Total</b>	<b>11,801</b>	<b>11,801</b>	<b>3,986</b>	<b>15,787</b>	<b>15,787</b>	<b>13,357</b>	<b>13,357</b>

### 13 STAFF

	College fellows 2014 £000	Other academic 2014 £000	Non-academic 2014 £000	Total 2014 £000	Total 2013 £000
Staff costs:					
Emoluments	855	145	1,984	2,984	2,873
Social security costs	71	-	135	206	197
Other pension costs (see note 14)	127	-	213	340	344
	<u>1,053</u>	<u>145</u>	<u>2,332</u>	<u>3,530</u>	<u>3,414</u>
Average staff numbers					
Academic (full-time)	12	-	-	12	11
Academic (part-time)	22	-	-	22	22
Non-academic (full-time)	1	-	60	61	57
Non-academic (part-time)	2	-	55	57	54
	<u>37</u>	<u>-</u>	<u>115</u>	<u>152</u>	<u>144</u>

“Other academic” relates to External Supervision.

During the year 36 Fellows served on the Governing Body, of which 31 declared above are stipendiary.

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

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE)

The following information regarding the USS pension scheme has been provided by the actuary. It is to be noted that the valuation date of 31 March 2014 has passed but no further information has been provided at the time of preparation of these accounts.

#### Universities Superannuation Scheme

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimates of the funding level at 31 March 2013 are also included in this note.

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

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

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

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

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

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

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

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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

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

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

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

#### **New Entrants**

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

#### **Normal pension age**

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

#### **Flexible Retirement**

Flexible retirement options were introduced.

#### **Member contributions increased**

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



# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

#### Cost sharing

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

#### Pension increase cap

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

The actuary has estimated that the funding level as at 31 March 2014 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on an historic gilts basis at that date was approximately 55%.

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

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

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

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the College had 44 active members participating in the scheme.

The total pension cost for the College was £141,104 (2013: £132,597). No contributions were outstanding at the balance sheet date.

The contribution rate payable by the College was 16% of pensionable salaries.

#### CCFPS

The College is also a member of a multi-employer defined benefits scheme, the Cambridge Colleges' Federated Pension Scheme.

A full valuation was undertaken as at 31 March 2014 and updated to 30 June 2014 by a qualified independent Actuary.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2014 % p.a.	2013 % p.a.
Discount rate	4.2	4.6
Expected long-term rate of return on Scheme assets	6.2	6.2
Increase in salaries	2.8 *	2.8 **
Retail Prices Index (RPI) assumption	3.3	3.3
Consumer Prices Index (CPI) assumption	2.3	2.3
Pension increases (RPI linked)	3.3	3.3
Pension increases (capped RPI linked)	3.1	3.1

\* 1.5% in 2014 to 2016 and 2.8% thereafter

\*\* 1.5% in 2013; 2.8% thereafter.

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

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

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

#### Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Present value of Scheme liabilities	(10,250)	(9,081)
Market value of Scheme assets	7,257	6,995
<b>Surplus/(deficit) in the Scheme</b>	<u>(2,993)</u>	<u>(2,086)</u>

The amounts to be recognised in the income and expenditure account for the year ending 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Current service cost	349	288
Interest on Scheme liabilities	418	356
Expected return on Scheme assets	(432)	(352)
Total	<u>335</u>	<u>292</u>
Actual return on Scheme assets	<u>424</u>	<u>748</u>

Changes in the present value of the Scheme liabilities for the year ending 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Present value of Scheme liabilities at beginning of period	9,081	7,495
Service cost including Employee contributions	425	367
Interest cost	418	356
Actuarial losses	756	1,079
Benefits paid	(430)	(216)
Present value of Scheme liabilities at end of period	<u>10,250</u>	<u>9,081</u>

Changes in the fair value of the Scheme assets for the year ending 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Market value of Scheme assets at beginning of period	6,995	6,180
Expected return	432	352
Actuarial gains/(losses)	(8)	396
Contributions paid by the College	192	204
Employee contributions	76	79
Benefits paid	(430)	(216)
<b>Market value of Scheme assets at end of period</b>	<u>7,257</u>	<u>6,995</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

The agreed contributions to be paid by the College for the forthcoming year are 14.27% of Contribution Pay plus £15,468 to cover expenses, subject to review at future actuarial valuations. These rates exclude PHI.

The major categories of Scheme assets as a percentage of total Scheme assets at 30 June 2014 are as follows:

	<b>2014</b>	<b>2013</b>
Equities & Hedge Funds	70%	68%
Property	23%	24%
Bonds & Cash	7%	8%
<b>Total</b>	<u>100%</u>	<u>100%</u>

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities and hedge funds of 7.0% (2013: 7.0%), an expected rate of return on property of 6.0% (2013: 6.0%) and an expected rate of return on bonds and cash of 3.8% (2013: 4.0%).

Analysis of amounts recognisable in the statement of total recognised gains and losses (STRGL) for the year ending 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Actual return less expected return on Scheme assets	(8)	396
Experience gains and losses arising on Scheme liabilities	(25)	24
Changes in assumptions underlying the present value of Scheme liabilities	(731)	(1,103)
<b>Actuarial loss recognised in STRGL</b>	<u>(764)</u>	<u>(683)</u>

The cumulative amount of actuarial gains and losses recognised in STRGL for the year ending 30 June 2014 are as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Cumulative actuarial loss at beginning of period	(2,162)	(1,479)
Recognised during the period	(764)	(683)
<b>Cumulative actuarial loss at end of period</b>	<u>(2,926)</u>	<u>(2,162)</u>

# PETERHOUSE

## NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2014

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### 14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

Movement in deficit during the year ending 30 June 2014 as follows:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Deficit in Scheme at beginning of year	(2,086)	(1,315)
Service Cost (Employer Only)	(349)	(288)
Contributions paid by the College	192	204
Finance Cost	14	(4)
Actuarial loss	(764)	(683)
<b>Deficit in Scheme at the end of the year</b>	<u>(2,993)</u>	<u>(2,086)</u>

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

	<b>30 June</b> <b>2014</b> <b>£000</b>	<b>30 June</b> <b>2013</b> <b>£000</b>	<b>30 June</b> <b>2012</b> <b>£000</b>	<b>31 March</b> <b>2011</b> <b>£000</b>	<b>31 March</b> <b>2010</b> <b>£000</b>
Present value of Scheme liabilities	(10,250)	(9,081)	(7,495)	(6,708)	(6,686)
Market value of Scheme assets	7,257	6,995	6,180	6,775	5,697
Surplus/ (deficit) in the Scheme	(2,993)	(2,086)	(1,315)	67	(989)
Actual return less expected return on Scheme assets	(8)	396	(1,183)	203	632
Experience gain/ (loss) arising on Scheme liabilities	(25)	24	(108)	(8)	207
Change in assumptions underlying present value of Scheme liabilities	(731)	(1,103)	(104)	743	(1,640)

### 15 CAPITAL COMMITMENTS

At 30 June 2014 the College has committed to an investment in an equity fund totalling £353,000 (2013: £378,000). It also had other commitments relating to long term projects of £666,000 (2013: £4,292,000).

### 16 RELATED PARTY TRANSACTIONS

No disclosure of transactions with Peterhouse Library Charity Limited or Peterhouse Enterprises Limited has been made as those financial statements at 30 June 2014 have been consolidated within these accounts. Peterhouse Conferences and Events Limited was dormant during the year and accordingly has no transactions to be disclosed.