

CRANFIELD UNIVERSITY

FINANCIAL STATEMENTS

for the year ended 31st July, 2014

CONTENTS	Page
Operating and financial review and Treasurer's Report	2
Corporate governance	8
Responsibilities of the Council of Cranfield University	11
Independent auditors' report	14
Principal accounting policies	16
Consolidated income and expenditure account	20
Statement of consolidated total recognised gains and losses	21
Statement of historical cost surplus and deficits	21
Balance sheets	22
Statement of consolidated cash flows	23
Notes to the accounts	24

**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2014**

The activities of the University include teaching, research, design and development work in the fields of engineering, applied science, manufacturing and management. Operations are primarily carried out on campuses at Cranfield in Bedfordshire and Shrivenham in Oxfordshire. The University is an exempt charity subject to the Charities Act 2011.

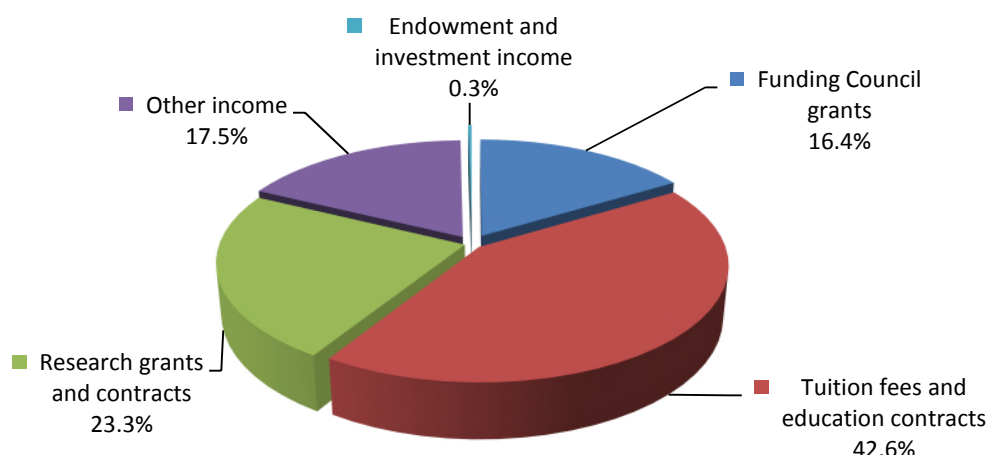
The financial statements comprise the consolidated results of the University and its subsidiaries. Subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through a limited company and include the development of activities emanating from Cranfield University.

**Results for the year and position at year end**

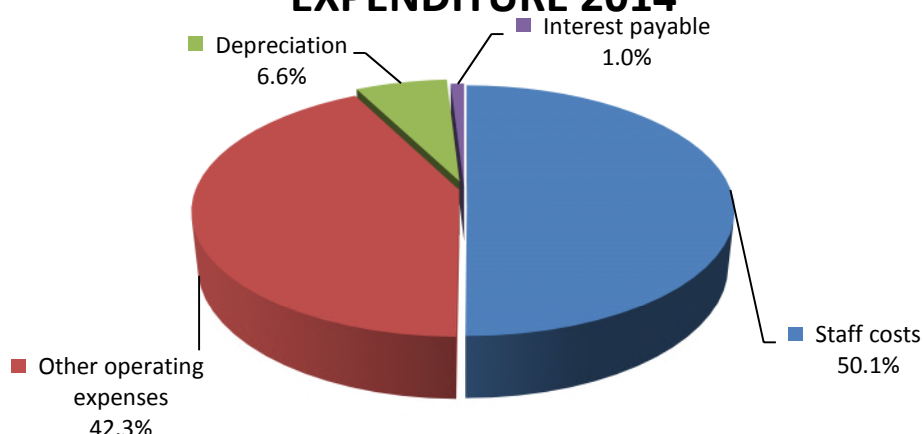
The consolidated results for the year ended 31st July, 2014 are summarised below:-

	2014	2013
	£'000	£'000
Income	157,811	162,224
Expenditure	(156,749)	(162,609)
Surplus / (deficit) for year retained in general reserves	<u>1,062</u>	<u>(385)</u>

**INCOME 2014**



**EXPENDITURE 2014**



**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
(continued...)

**Results for the year and position at year end** *(continued...)*

Income was 2.7% lower compared to the previous year. Although funding council grants and research income fell in the year, tuition fees grew. The surplus for the year retained in general reserves was £1,062,000 (2013 deficit - £385,000).

Capital expenditure in the year amounted to £7,224,000 (2013 - £6,924,000). This includes a number of infrastructure projects on the Cranfield campus, together with academic research equipment.

The statement of consolidated cash flow shows a decrease in cash of £897,000. Net cash inflows from operating activities were £3,414,000 as shown in Note 25.

Consolidated reserves and endowments decreased by £2,157,000 (2013 – increase by £4,072,000) as explained in the statement of total recognised gains and losses on page 21. Included in arriving at this figure, there is a decrease of £3,207,000 relating to the movement on the Bedfordshire County Council pension fund as shown in Note 29.

**Principal risks and uncertainties**

The University receives a smaller proportion of its income from HEFCE, which was 16.4% for the 2013/14 year, than the majority of the sector. This reflects the distinctive mission of Cranfield as a wholly postgraduate University. However, it also receives a significant amount of income from other organisations that are directly or indirectly impacted by the general state of public finances and the economy.

As with other Higher Education Institutions, Cranfield is vulnerable to decisions made by HEFCE, Research Councils and other Government bodies. In particular, Cranfield continues to rely heavily on the 'institution-specific funding' it receives from HEFCE. There does, however, remain uncertainty beyond 2016 of this funding. The funding for postgraduates and their access to funding sources to finance their studies continues to be of a concern and innovative solutions will be needed by both the University and the sector more generally, to ensure we continue to educate a diverse range of UK postgraduates for the benefit of our economy. In this regard Cranfield was particularly pleased to launch a pilot postgraduate loan scheme, part funded from HEFCE, for up to 100 science, technology, engineering and mathematics students per annum.

The University is at risk from cost inflation, especially those related to employment costs. Pension costs continue to rise and a tight control of salary costs is vital to the future sustainability of the University.

**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
(continued...)

**Key Performance Indicators (KPI's):-**

The University benchmarks its performance against the rest of the sector, where comparable information is available:-

	<b>Cranfield Actual 2014</b>	<b>Cranfield Actual 2013</b>	<b>Mean Average HEFCE funded HEI* Forecast 2014</b>
Income (reduction) / growth	(2.7%)	(2.4%)	4.2%
Surplus/(deficit) for year as a % of total income	0.7%	(0.2%)	2.2%
Staff costs before exceptional costs as a % of total income	49.7%	48.8%	52.4%
Cash flow from operating activities as a % of total income	2.2%	2.9%	6.6%
Net liquidity as number of days expenditure	77	76	98
External borrowings as a % of total income	10.7%	11.6%	27.0%
Discretionary reserves (excluding FRS17) as a % of total income	44.9%	43.0%	62.9%

\*Source: HEFCE Sept 2014

The table above reflects the position that, despite a very challenging year in terms of income generation and bottom line performance, the University remains in sound financial health. Of particular note, is that the University's financial policy of restricting borrowing only to finance capital projects with a strong direct income stream to make the repayments, positions Cranfield with significantly lower relative borrowings than the majority of the sector.

**Outlook for 2014/2015**

Following Council's approval of the Corporate Plan in 2014, Cranfield will be developing its thematic offerings in Aerospace, Agrifood, Defence and Security, Energy, Environment, Management, Manufacturing and Transport. The budgeted surplus of £2 million approved by Council in July 2014 will be achieved, provided income levels can be maintained. With regard to capital expenditure, Cranfield was successful in winning a £35m Research Partnership Investment Fund bid to HEFCE with industrial partners Airbus and Rolls Royce.

**Pensions**

Under Financial Reporting Standard 17 (FRS 17), where the University's share of the underlying assets and liabilities of defined benefit schemes can be identified, a net pension asset or liability is required to be included in the accounts.

**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
(continued...)

**Pensions** *(continued...)*

As it is not possible to identify each participating institution's share of the underlying assets and liabilities of the Universities Superannuation Scheme, it is accounted for as if it is a defined contribution scheme with contributions charged as they become payable. At the last valuation as at 31st March, 2011, the assets were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings measured on a 'technical provisions' basis.

The share of underlying assets and liabilities of the Local Government Pension Scheme (LGPS) is able to be identified as at 31st July, 2014 and there is a net pension liability of £46,187,000 (2013 - £43,029,000) applicable to the University. Details are provided in Note 29.

**Trading activities of subsidiaries**

The venture companies are financially independent from the University and are administered through Cranfield Ventures Ltd. In addition to these companies, there are other subsidiaries undertaking core activities for the University.

**Public Benefit report**

The University is an exempt charity under the terms of the Charities Act 2011. The objects of the University are to:

- advance, disseminate and apply learning, knowledge and understanding with particular emphasis on the disciplines of the Sciences, Technology, Engineering and Management; and
- promote and encourage the transformation and application of that wisdom, knowledge and learning for the benefit of industry, the public services, and individuals and for the public benefit.

In reviewing the University's activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit as amended in December 2011. Of the specific examples of charitable activities highlighted in section 3 of the 2011 Act, Cranfield makes a significant contribution to the majority of them. These include:-

- the advancement of education
- the prevention or relief of poverty
- the advancement of health or the saving of lives
- the advancement of citizenship or community development
- the advancement of the arts, culture, heritage or science
- the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity
- the advancement of environmental protection or improvement
- the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services.

The University's website and publications, such as Cranfield's corporate brochure, provide further details of these activities.

## Public Benefit report (continued...)

Cranfield's students continue to be drawn from over one hundred countries. As a research-intensive institution, the University has a commitment to widening participation for postgraduates; in particular the recruitment of:

- older/experienced 'return to study' applicants
- less conventionally qualified but experienced applicants, and
- those improving their skills by studying with Cranfield flexibly whilst in employment.

The University provides a wide range of scholarships and bursaries to enable participation by those students who would not otherwise be able to afford to study at the University.

## Employment of disabled persons

Applications by disabled persons for employment and for admission to courses of study or research are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing staff and students becoming disabled every effort is made to ensure that their employment or study with the University continues and that appropriate training and support is arranged. It is the policy of the University that the training, career development and promotion and opportunities to undertake study and research should, as far as possible, be identical for all staff and students.

## Employee involvement

The University places considerable value on the involvement of its employees and on good communication with them. A regular newsletter is made available to all staff and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University and School levels, sometimes through the membership of formal committees. In addition, information for staff is included on an intranet site.

## Environmental issues

The University is committed to sustainable development by integrating environmental issues into all aspects of its work and management processes. Environmental responsibilities are met through the management of the University's campuses and premises, through its dealings with client groups and trading partners, through the design and delivery of its academic, research and professional services and through its interaction with the local community.

## Carbon Management Plan

The University has a target to reduce its Carbon emissions by 50% by 2020 compared with a 2005 baseline. From 2005 Carbon emissions were growing; however since the implementation of the plan in 2009 emissions have generally reduced and are now 19% lower than the 2005 level. Our carbon footprint has been restated for previous years in accordance with DEFRA Greenhouse Gas reporting guidelines which take account of changes in our estate and also national conversion factors.

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Tonnes CO2	18,500	18,100	20,800	19,700	17,800	16,300	14,600

Year	2012/13	2013/14
Tonnes CO2	15,700	14,900

The emissions reported above include electricity, heating, process fuels and on site vehicle fuels for the whole University estate but excluding Shrivenham Campus. Reporting years are from August to July. Other transport emissions and emissions associated with waste and water are not included at present although there are plans to include these within the footprint for future reports. Further information on the Carbon Management Plan can be found on the University website.

## **Health and Safety**

The University is committed to providing a safe and healthy environment by taking effective means to manage our risks and protect people from being harmed. There is a process of continuous improvement in the management of health and safety in all areas of work and study. Regular health and safety audits and risk assessments are undertaken with remedial action following hazard identification.

## **Payment of creditors**

It is the University's policy to obtain the optimum terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms in accordance with best commercial practice.

## **Corporate governance**

The University is committed to following best practice in all aspects of corporate governance. This year's statement appears on pages 8 to 10 which reports full compliance with the UK Corporate Governance Code provisions relating to risk management.

## **Conclusion**

Despite a difficult year for income generation, the University's overall financial position means it is soundly placed to face the challenges and opportunities that will present themselves in the future.

C P Fairweather MA FCA  
Chair of Finance Committee

20<sup>th</sup> October, 2014

## **CRANFIELD UNIVERSITY**

### **CORPORATE GOVERNANCE**

The following statement is given to enable readers of the financial statements to obtain a better understanding of the legal structure of the University and the governance procedures applied by the University's Council.

In March 2013, Her Majesty The Queen in Council approved revisions to the University's Charter and Statutes. The primary impact of these revisions on governance was to make the University Council the unambiguous governing body for the University, in line with the governance guidelines of the Higher Education Funding Council for England. Following the approval of the Charter and Statutes, Council approved a revised set of Ordinances and Senate approved new Regulations; together, the Charter, Statutes, Ordinances and regulations make up the University Laws.

Council's functions, as articulated in the Charter, are to: be ultimately responsible for the affairs of the University; determine the strategic direction of the University; ensure the effective management and control of the University's affairs, property and finances; determine the structure, staffing and overall composition of the University; appoint the Pro-Chancellor; and appoint and dismiss the Vice-Chancellor.

The principal academic and administrative officer of the University is the Chief Executive and Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

The University endeavours to conduct its business in accordance with the relevant parts of the UK Corporate Governance Code 2010 issued by the Financial Reporting Council. Whilst the University, being an independent corporation incorporated by Royal Charter and having exempt charitable status, does not fall within the scope of the Code, the Council is satisfied that the University has complied throughout the period with those provisions which can be applied to Universities.

The matters specially reserved to the Council for decision are defined by the University Laws and by custom in line with the Financial Memorandum with the Higher Education Funding Council for England.

The Council has a majority of members from outside the University, (described as independent members), from whom the Chair and Deputy Chair must be drawn. Also included in its membership are staff of the University and a member nominated by the student body. The composition of the Council and the procedures for appointment of members, their tenure and removal from office, are determined by the Statutes of the University.



## CRANFIELD UNIVERSITY

### CORPORATE GOVERNANCE

*(continued ...)*

The Council meets at least four times a year and has four standing Committees, Finance, Nominations, Remuneration and Audit. Each of these Committees is formally constituted with terms of reference and comprises mainly independent members of the Council.

- **Finance Committee** - meets at least four times a year and, inter alia, recommends to the Council the University's annual revenue and capital budgets and monitors performance quarterly in relation to the approved budgets. The Committee also reviews the University's annual financial statements for reporting to the Council.
- **Nominations Committee** - considers nominations for vacancies in the independent membership of Council under the relevant Statute and makes recommendations to the Council for such appointments.
- **Remuneration Committee** - determines the annual remuneration of the Vice-Chancellor and such other senior members of staff as decided by Council.
- **Audit Committee** - meets on at least three occasions annually to review the work of the internal and external auditors. The Committee considers detailed audit reports, together with recommendations, for the improvement of the University's systems of internal control, governance, risk management and value for money, as well as management's responses and implementation plans.

Most independent members of the Council do not receive any payment, apart from the reimbursement of expenses, for the work they undertake for the University. However, certain members are remunerated for specific responsibilities other than those of the Council membership.

The report of the Chair of Finance Committee is given on pages 2 to 7 and the responsibilities of the Council are outlined on page 11. The annual financial statements are presented in a format which is in accordance with applicable Accounting Standards and the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education.

The Council is also responsible for the University's internal control system and for monitoring its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve the University's overall objective and mission, as well as its annual strategic aims. It can only provide reasonable, but not absolute, assurance against any material misstatement or loss. The key features of the control system are:-

- **Risk management** – whilst it is neither possible nor desirable to eliminate risk from the University's activities, there is an on-going process for the recognition, assessment and management of all significant opportunities and risks. This process has been in place for the year and up to the date of approval of the annual financial statements. The process is reviewed regularly by the Finance Committee on behalf of the Council and it accords with the UK Corporate Governance Code provisions relating to risk management. The Finance Committee reports annually to the Council on its review. Exposure and control analyses, including mitigating factors and counter measures, are prepared annually and are monitored by key performance indicators and controls. The results from these reviews inform the planning, reporting and budgetary control processes. The management of each significant risk is assigned to one or more individuals and built into personal objectives as part of the staff development and appraisal procedures, which identify training needs. Staff generally are asked to report perceived significant risks.

## CRANFIELD UNIVERSITY

### CORPORATE GOVERNANCE

*(continued ...)*

- **Control environment** – clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments are established. There is a Financial Manual, detailing financial controls and procedures which is approved by the Council as well as other management policies. Compliance with the Financial Manual is a requirement included in contracts of employment. The approach to internal control is risk based and embedded in effective management systems.
- **Information and control systems** – the University has a comprehensive medium and short-term planning process, supplemented by detailed annual revenue, capital and cash flow budgets. There are clearly defined and formalised requirements for approval and control of expenditure with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council. There are regular reviews of operating results involving variance reporting and updates of estimated out-turns. In relation to academic information and control systems, the University's Senate, Teaching Committee and Faculty Boards oversee detailed processes to maintain and control the quality and standards of the University's academic work.
- **Monitoring system** – the effectiveness of the information and internal control systems and control environment are monitored by management review, the internal audit function and the Audit Committee, on behalf of the Council. As part of their audit responsibilities, the external auditors also provide reports to the Audit Committee on the operation of aspects of the University's internal control system.

On the basis of the above control system, procedures have been in place for the whole financial year to enable a full statement on internal control to be made for the year and up to the date of the approval of the Financial Statements.

## CRANFIELD UNIVERSITY

### PRIMARY RESPONSIBILITIES OF COUNCIL

The Council is the supreme governing body of the University. Its principal responsibilities are based on the Model Statement taken from the Committee of University Chairs' Guide for members of Higher Education Governing Bodies, adapted to reflect the powers and responsibilities that Council derives from the University Laws. These responsibilities are to:

- approve the mission and strategic vision of the University, long-term strategic and business plans including key performance indicators, and to ensure that these meet the interests of stakeholders;
- appoint, on the recommendation of a Joint Appointing Committee of Council and Senate, the Vice-Chancellor as Chief Executive of the University. To establish the conditions of appointment and the arrangements for monitoring his/her performance.
- be responsible for the removal of the Vice Chancellor for good cause in accordance with the University Laws;
- delegate authority to the Vice-Chancellor for the academic, corporate, financial, estate and personnel management of the institution;
- establish and keep under regular review the policies, procedures and limits within such management functions as will be undertaken by and under the authority of the Vice-Chancellor;
- ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest;
- ensure that processes are in place to monitor and evaluate the performance and effectiveness of Cranfield University against the plans and approved key performance indicators, which will, where possible and appropriate, be benchmarked against other comparable institutions;
- establish processes to monitor and evaluate the performance and effectiveness of the Council and the wider governance of the University;
- conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
- safeguard the good name and values of the institution;
- appoint a Secretary to Council, on the recommendation of a Joint Appointing Committee of Council and Senate.
- be the employing authority for all staff in the University and to be responsible for ensuring the establishment of a human resources strategy;
- be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate;
- be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name;

## RESPONSIBILITIES OF THE COUNCIL OF CRANFIELD UNIVERSITY

(continued ...)

- make such provision as it thinks fit for the general welfare of students, in consultation with Senate;
- act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; and
- ensure that the University's Laws are followed at all times and that appropriate advice is available to enable this to happen.

### Members of Council

The following members served throughout the period from 1<sup>st</sup> August 2013 to 20<sup>th</sup> October 2014 unless otherwise stated:

Name	Position	Period
Dame Deirdre Hutton*	Pro-Chancellor & Chair of Council	
Baroness Young of Old Scone*	Chancellor	
Professor Sir Peter Gregson*	Chief Executive & Vice-Chancellor	from 1 August 2013
Ms Rachel Abercrombie		until 15 December 2013
Mr Habeeb Ajimotokan		until 30 April 2014
Professor Jackie Akhavan		
Mrs Alison Amatsah		until 30 September 2013
Sir David Arculus		from 1 October 2013
Dr Tracey Bailey		
Mr Anthony Carey		from 1 June 2014
Mr John Cridland		until 31 May 2014
Mr Paul Fairweather	Chair of Finance Committee	
Professor Clifford Friend		
Mr Dougie Hunter		
Major General (Retd) David Jenkins	Chair of Audit Committee	
Professor Joe Lunec		until 30 September 2013
Mrs Moni Mannings		
Mr Chikere Nkwonta		from 1 May 2014
Mr Stephen Odell		until 31 March 2014
Dr Andreas Raffel	Deputy Chair of Council	
Mrs Louise Redmond		
Dr Matthew Russell		
Professor Lynette Ryals*	Pro-Vice-Chancellor	until 30 September 2013
Dr Frances Saunders		
Professor Mark Savill		until 30 September 2013
Professor Tom Stephenson		until 30 September 2013
Mr Bill Thomas		from 1 June 2014

\*Ex-officio

## RESPONSIBILITIES OF THE COUNCIL OF CRANFIELD UNIVERSITY

*(continued ...)*

The Council is required to present audited financial statements for each financial year and for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statutes of the University, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and other relevant Accounting Standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of Cranfield University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and the Group and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF CRANFIELD UNIVERSITY**

We have audited the group and University financial statements (the "financial statements") of Cranfield University for the year ended 31 July 2014 which comprises the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the 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 Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it 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 Council for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the University Council and auditor**

As explained more fully in the Responsibilities of the Council of Cranfield University's Statement set out on page 11 the Council is responsible for the preparation of financial statements which give a true and fair view. 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 the 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 group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review 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 affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

### **Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

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;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

Andrew Argyle  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

20th October 2014

**CRANFIELD UNIVERSITY**  
**PRINCIPAL ACCOUNTING POLICIES**

**1. Basis of accounting and preparation**

The financial statements are prepared under the historical cost convention as modified by the revaluation of endowment asset investments and land and in accordance with both the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education (SORP) and applicable Accounting Standards.

**2. Basis of consolidation**

The consolidated financial statements include the financial statements of the University and all its subsidiaries prepared up to the end of the financial year. They do not include the financial statements of student associations as it is considered the University has limited financial interest and no control or significant influence over policy decisions.

**3. 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 in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are reflected in the income and expenditure account for the financial year.

**4. Recognition of income**

Income represents amounts invoiced for goods and services, excluding value added tax, supplied in the period and in the case of research, design and development includes the value of work carried out but not yet invoiced. In the case of grants, the value claimable at the date of the balance sheet is brought into account. All income from cash deposits and endowments including realised profits on disposal of assets, is credited to the income and expenditure account in the period in which it is earned. Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the lives of the assets.

**5. Research and development**

Expenditure on research and development is charged to the income and expenditure account in the year in which it is incurred.



**CRANFIELD UNIVERSITY**  
**PRINCIPAL ACCOUNTING POLICIES**  
*(continued...)*

**6. Tangible fixed assets**

*(1) Land and buildings*

Land is stated at valuation and is revalued triennially. The basis of valuation is open market value for existing use, and in the case of the technology park, open market value with vacant possession. The most recent valuation was carried out as at 31st July, 2013 by Gerald Eve LLP. Freehold land is not depreciated as it is considered to have an indefinite useful life. Where land is held for resale and a conditional sale agreement is in place at the year end the land is revalued to the anticipated net proceeds and retained in fixed assets.

Freehold and leasehold buildings are stated at cost and depreciated over their expected useful lives or the life of the lease, whichever is shorter. Where there is a permanent reduction in value, provision is made in the financial statements.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the buildings. If a building is sold prior to the full release of the deferred capital grant, and no repayment is required to the grant funder, the residual value of the grant is transferred to the income and expenditure reserve as a recognised gain through the statement of consolidated total recognised gains and losses.

*(2) Equipment*

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost and depreciated over its expected useful life.

Where equipment is acquired with the aid of specific grants or gifts, it is capitalised and depreciated as above. The related grants or gifts are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the equipment. If equipment is sold prior to the full release of the deferred capital grant, and no repayment is required to the grant funder, the residual value of the grant is transferred to the income and expenditure reserve as a recognised gain through the statement of consolidated total recognised gains and losses.

*(3) Depreciation*

Depreciation is calculated on the original cost of the assets at the following rates:-

Buildings	2% - 5% per annum
Fixtures and fittings	10% per annum
Equipment	20% - 33.33 % per annum
Plant and machinery	5% - 25% per annum

**CRANFIELD UNIVERSITY**  
**PRINCIPAL ACCOUNTING POLICIES**  
*(continued...)*

**7. Leases**

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership are considered to be finance leases. All other leases are operating leases.

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges which is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure over the periods of the leases.

**8. Investments**

- (1) Endowment asset investments are included in the balance sheet at market value, with land revalued triennially. The most recent land valuation was carried out as at 31st July, 2013 by Gerald Eve LLP.

Current asset investments are included at the lower of cost and net realisable value.

- (2) Investment in subsidiaries is included in the balance sheet at cost, less any provisions for impairment.

**9. Stock**

Stock is valued at the lower of cost and net realisable value.

**10. Work in progress**

Work in progress is stated at cost plus attributable overheads less provisions for any known or anticipated deficits and payments on account receivable.

**11. Taxation status**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of the Taxes Act 1988. Accordingly, the University is potentially exempt from corporation tax and capital gains tax to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and Value Added Tax in the same way as any commercial organisation.

**12. Deferred taxation**

Deferred taxation is recognised as a liability or asset if transactions or events have occurred by the balance sheet date that give rise to an obligation to pay more taxation, or a right to pay less taxation, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

**CRANFIELD UNIVERSITY**  
**PRINCIPAL ACCOUNTING POLICIES**  
*(continued...)*

**13. Maintenance of premises**

The cost of all maintenance is charged to the income and expenditure account as incurred. Provisions are made for dilapidation of leasehold property where an appropriate obligation exists.

**14. Pension schemes**

The two principal pension schemes of the University's employees are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) administered by Bedfordshire County Council.

Details of the schemes are included in Note 29. For defined benefit schemes, pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. As it is not possible to identify each participating institution's share of the underlying assets and liabilities of the USS, which is a defined benefit scheme, contributions to the scheme are accounted for as if it were a defined contribution scheme. For defined contribution schemes, the employers' contributions are charged as they become payable.

**15. Provisions**

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event and 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.

**16. Going concern**

The University considers that it has sufficient financial resources and is confident that its future income streams will maintain these resources. Council believe that the University is well placed to effectively manage its business risks, despite the current uncertain economic situation.

Council have a reasonable expectation that the University has adequate resources to continue operating in existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

**CRANFIELD UNIVERSITY**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31ST JULY, 2014**

		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Funding Council grants	1	25,842	27,260
Tuition fees and education contracts	2	67,150	66,833
Research grants and contracts		36,827	40,105
Other income	3	27,565	27,532
Endowment and investment income	4	427	494
<b>Total income</b>		<hr/> 157,811	<hr/> 162,224
<b>Expenditure</b>			
Staff costs	5	78,740	80,526
Other operating expenses	6	66,523	70,339
Depreciation	7	10,366	10,939
Interest payable	8	1,513	1,928
<b>Total expenditure</b>		<hr/> 157,142	<hr/> 163,732
<b>Surplus / (deficit) after depreciation of assets and before tax</b>		669	(1,508)
(Loss) / profit on disposal of assets	31	<hr/> (139)	<hr/> 416
<b>Surplus / (deficit) after depreciation and disposal of assets before tax</b>		530	(1,092)
Taxation	9	<hr/> (5)	<hr/> -
<b>Surplus / (deficit) after depreciation and disposal of assets and tax</b>		525	(1,092)
Transfer from accumulated income within Endowments		<hr/> 537	<hr/> 707
<b>Surplus / (deficit) for the year retained within general reserves</b>		<hr/> 1,062	<hr/> (385)

The consolidated income and expenditure account relates to continuing operations. The surplus for the year attributable to the University is £1,093,000 (2013 – deficit £152,000).

The notes on pages 24 to 43 form part of these accounts.

CRANFIELD UNIVERSITY

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST JULY, 2014

		2014	2013
	Notes	£'000	£'000
Surplus / (deficit) for the year retained in general reserves		1,062	(385)
Transfer from accumulated income within endowments		(537)	(707)
Surplus / (deficit) after depreciation and disposal of assets and tax		525	(1,092)
Actuarial loss recognised	29	(3,207)	(2,597)
Revaluation of endowment asset investments:	19	107	218
New endowments	19	418	367
Land revaluation	20	-	7,176
<b>Total recognised (losses) / gains relating to the period</b>		<b>(2,157)</b>	<b>4,072</b>
<b>Reconciliation</b>			
Opening reserves and endowments		70,292	66,220
Total recognised (losses) / gains for the year		(2,157)	4,072
<b>Closing reserves and endowments</b>		<b>68,135</b>	<b>70,292</b>

STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUS AND DEFICITS

FOR THE YEAR ENDED 31ST JULY, 2014

		2014	2013
	Notes	£'000	£'000
Surplus / (deficit) after depreciation and disposal of assets before tax		530	(1,092)
Historical cost surplus / (deficit) for the year before tax		530	(1,092)
Historical cost surplus / (deficit) for the year after tax		525	(1,092)
<b>Historical cost surplus / (deficit) after tax retained within general reserves</b>		<b>1,062</b>	<b>(385)</b>

The notes on pages 24 to 43 form part of these accounts.

**CRANFIELD UNIVERSITY**  
**BALANCE SHEETS AT 31ST JULY, 2014**

	Notes	CONSOLIDATED		UNIVERSITY	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10	15	29	-	-
Tangible assets	11	157,104	160,440	150,161	152,880
Investments	13	-	-	3,758	3,758
<b>Total Fixed Assets</b>		<b>157,119</b>	<b>160,469</b>	<b>153,919</b>	<b>156,638</b>
<b>Endowment assets</b>	12	<b>5,783</b>	<b>5,795</b>	<b>7,211</b>	<b>7,223</b>
<b>Current assets</b>					
Stock		249	242	188	180
Debtors	14	33,399	32,158	31,744	30,564
Cash at bank and in hand		33,015	34,036	30,288	31,833
<b>Total current assets</b>		<b>66,663</b>	<b>66,436</b>	<b>62,220</b>	<b>62,577</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(50,962)</b>	<b>(49,927)</b>	<b>(45,886)</b>	<b>(45,061)</b>
<b>Net current assets</b>		<b>15,701</b>	<b>16,509</b>	<b>16,334</b>	<b>17,516</b>
<b>Total assets less current liabilities</b>		<b>178,603</b>	<b>182,773</b>	<b>177,464</b>	<b>181,377</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(15,421)</b>	<b>(17,360)</b>	<b>(15,421)</b>	<b>(17,360)</b>
<b>Provisions for liabilities and charges</b>	17	<b>(527)</b>	<b>(1,244)</b>	<b>(523)</b>	<b>(1,014)</b>
<b>Net assets excluding FRS17 pension liability</b>		<b>162,655</b>	<b>164,169</b>	<b>161,520</b>	<b>163,003</b>
Pension liability	22	(46,187)	(43,029)	(46,187)	(43,029)
<b>Net assets including FRS17 pension liability</b>		<b>116,468</b>	<b>121,140</b>	<b>115,333</b>	<b>119,974</b>
<b>Financed by:-</b>					
Deferred capital grants	18	48,333	50,848	48,333	50,848
<b>Endowments</b>					
Expendable	19	7,211	7,223	7,211	7,223
<b>Reserves</b>					
Income and expenditure reserve excluding pension reserve	21	63,604	62,591	62,469	61,425
Pension reserve	22	(46,187)	(43,029)	(46,187)	(43,029)
Income and expenditure account including pension reserve		17,417	19,562	16,282	18,396
Revaluation reserve	20	43,507	43,507	43,507	43,507
		60,924	63,069	59,789	61,903
<b>Total funds</b>		<b>116,468</b>	<b>121,140</b>	<b>115,333</b>	<b>119,974</b>

The financial statements on pages 16 to 43 were approved by the Council on 20<sup>th</sup> October, 2014 and signed on its behalf by:-

C P FAIRWEATHER MA FCA  
**TREASURER**

PROFESSOR SIR PETER GREGSON FREng MRIA  
**CHIEF EXECUTIVE & VICE-CHANCELLOR**

I SIBBALD FCA  
**DIRECTOR OF FINANCE**

The notes on pages 24 to 43 form part of these accounts.

CRANFIELD UNIVERSITY

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31ST JULY, 2014

		2014	2013
	Notes	£'000	£'000
<b>Net cash inflow from operating activities</b>	25	3,414	4,710
<b>Returns on investments and servicing of finance</b>			
Interest received		586	74
Interest paid		(270)	(306)
Endowment income	19	73	111
<b>Net cash inflow / (outflow) from returns on investments and servicing of finance</b>		389	(121)
<b>Taxation</b>			
UK corporation tax paid		-	-
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(7,163)	(7,902)
Endowment asset investments disposed (net)		537	707
		(6,626)	(7,195)
Proceeds of disposal of tangible fixed assets		4	12,225
Proceeds of disposal of businesses	31	-	450
Deferred capital grants received		2,817	-
Endowments received		418	367
<b>Net cash (outflow) / inflow from capital expenditure and financial investment</b>		(3,387)	5,847
<b>Net cash inflow before use of liquid resources and financing</b>		416	10,436
<b>Financing</b>			
New loans/leases	26	185	639
Loans and finance leases repaid	26	(1,498)	(1,376)
<b>(Decrease) / increase in cash in the year</b>	27	(897)	9,699

The notes on pages 24 to 43 form part of these accounts.

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014

	CONSOLIDATED	
	2014	2013
	£'000	£'000
<b>1. Funding Council grants</b>		
Recurrent grant	18,882	20,587
Special initiatives	3,412	2,878
Deferred capital grants released		
Buildings ( <i>Note 18</i> )	732	734
Equipment ( <i>Note 18</i> )	2,816	3,061
	<hr/> 25,842	<hr/> 27,260
Grants are receivable from the Higher Education Funding Council for England. In addition to the above, grants were received for capital purposes of £2,133,000 (2013 - £1,996,000).		
<b>2. Tuition fees and education contracts</b>		
Long course fees	33,012	32,373
Professional development courses	20,768	19,472
Teaching contract	13,370	14,988
	<hr/> 67,150	<hr/> 66,833
<b>3. Other income</b>		
Residences and conference centres	9,931	10,474
Rents from tenant organisations	1,239	1,173
Deferred capital grants released		
Buildings ( <i>Note 18</i> )	393	826
Equipment ( <i>Note 18</i> )	718	726
Other	15,284	14,333
	<hr/> 27,565	<hr/> 27,532
<b>4. Endowment and investment income</b>		
Income from restricted expendable endowments ( <i>Note 19</i> )	73	111
Interest on bank deposits	354	383
	<hr/> 427	<hr/> 494



CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

		CONSOLIDATED	
		2014	2013
		£'000	£'000
5.	<b>Staff</b>		
a.	Staff costs		
	Wages and salaries	63,741	64,521
	Social security costs	5,435	5,624
	Other pension costs	9,196	9,060
		<hr/>	<hr/>
		78,372	79,205
	Exceptional staff restructuring costs	368	1,321
		<hr/>	<hr/>
		78,740	80,526
		<hr/>	<hr/>
	Emoluments of the Vice-Chancellor		
	Gross salary	310	-
	Gross salary of both the previous and acting Vice-Chancellor's	-	305
	Pension contributions	-	12
		<hr/>	<hr/>
		310	317
		<hr/>	<hr/>
b.	The average number of employees during the year, expressed as full-time equivalents, was as follows:-	Number	Number
	Academic	409	421
	Research	216	256
	Technical	187	192
	Administrative and manual	806	891
		<hr/>	<hr/>
		1,618	1,760
		<hr/>	<hr/>
c.	Remuneration of other higher paid staff, excluding employer's pension contributions, were as follows:-		
	£100,000 - £109,999	12	13
	£110,000 - £119,999	4	9
	£120,000 - £129,999	5	3
	£130,000 - £139,999	4	4
	£140,000 - £149,999	2	1
	£150,000 - £159,999	1	-
	£160,000 - £169,999	4	-
	£190,000 - £199,999	-	1
	£210,000 - £219,999	-	1

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

		<b>CONSOLIDATED</b>	
		<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
<b>6.</b>	<b>Other operating expenses</b>		
	Other operating amounts charged include:-		
	Equipment expensed	3,315	2,595
	Unrealised exchange (gain)/loss	(402)	886
	Auditors' remuneration:-		
	- external audit	122	127
	- other services including tax	47	62
	Council members' expenses	2	3
		<hr/>	<hr/>
Included in the above are audit fees in respect of the University only of £73,000 (2013 - £72,000)			
Council members' expenses represent re-imbursement of amounts incurred in attending University meetings. No Council member received any payment for their role as a trustee. Mr P Fairweather has provided consultancy services in the year and was paid, including expenses, £19,296			
<b>7.</b>	<b>Depreciation</b>		
	The depreciation charge has been funded by:-		
	Deferred capital grants released	4,659	5,347
	General income	5,707	5,592
		<hr/>	<hr/>
		10,366	10,939
		<hr/>	<hr/>
<b>8.</b>	<b>Interest payable</b>		
	Interest on long term loans repayable wholly or partly in more than five years	267	286
	Pension finance costs (Note 28)	1,246	1,642
		<hr/>	<hr/>
		1,513	1,928
		<hr/>	<hr/>
<b>9.</b>	<b>Taxation</b>		
	Corporation tax charged/(credited) in the year:-		
	UK corporation tax at 23.67% (2013 – 23.67%)	-	-
	Prior years	5	-
		<hr/>	<hr/>
		5	-
		<hr/>	<hr/>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

9. <b>Taxation</b> <i>(continued ...)</i>	<b>CONSOLIDATED</b>	
	<b>2014</b>	<b>2013</b>
	£'000	£'000
Surplus / (deficit) on ordinary activities before taxation	1,067	(385)
Tax on surplus on ordinary activities multiplied by the lower rate of corporation tax in the UK of 23.67% (2013 – 23.67%)	253	-
Factors affecting charge:		
University surplus exempt from corporation tax	(258)	-
Other permanent differences	5	-
Prior years	5	-
Corporation tax charged in the year	5	-

There are no significant unprovided amounts in respect of deferred taxation (2013 - £Nil).

**10. Intangible Assets – Consolidated**

	£'000
Patent Applications:	
At beginning of year	29
Amortisation	(14)
At end of year	15

	<b>Land &amp; Buildings</b>		<b>Equipment</b>	<b>Fixtures, Plant &amp; Machinery</b>	<b>Total</b>
	<b>Freehold</b>	<b>Leasehold</b>			
	£'000	£'000	£'000	£'000	£'000
<b>11. Tangible assets</b>					
<i>a. Consolidated</i>					
Cost/valuation					
At beginning of year	159,329	1,444	37,218	67,122	265,113
Additions	918	-	1,958	4,348	7,224
Disposals	-	-	(1,030)	(211)	(1,241)
At end of year	160,247	1,444	38,146	71,259	271,096
Cost	116,740	1,444	38,146	71,259	227,589
Valuation	43,507	-	-	-	43,507
Depreciation					
At beginning of year	33,284	1,444	30,026	39,919	104,673
Charge for year	2,311	-	2,791	5,264	10,366
Disposals	-	-	(871)	(176)	(1,047)
At end of year	35,595	1,444	31,946	45,007	113,992
Net book amount					
At end of year	124,652	-	6,200	26,252	157,104
At beginning of year	126,045	-	7,192	27,203	160,440

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

	Land & Buildings			Fixtures, Plant & Machinery	Total
	Freehold	Leasehold	Equipment		
	£'000	£'000	£'000	£'000	£'000
<b>11. Tangible assets</b> (continued ...)					
<i>b. University</i>					
Cost/valuation					
At beginning of year	153,280	1,444	36,776	60,314	251,814
Additions	918	-	1,931	4,166	7,015
Disposals	-	-	(1,021)	(197)	(1,218)
At end of year	154,198	1,444	37,686	64,283	257,611
Cost	110,692	1,444	37,686	64,283	214,105
Valuation	43,507	-	-	-	43,507
Depreciation					
At beginning of year	31,490	1,444	29,699	36,301	98,934
Charge for year	2,178	-	2,758	4,603	9,539
Disposals	-	-	(862)	(161)	(1,023)
At end of year	33,668	1,444	31,595	40,743	107,450
Net book amount					
At end of year	120,530	-	6,091	23,540	150,161
At beginning of year	121,790	-	7,077	24,013	152,880

The net book amounts of tangible fixed assets include £Nil (2013 - £2,000) in respect of assets held under finance leases in the consolidated and University accounts respectively. The related depreciation charge for the year was £2,000 (2013 - £3,000). At 31st July, 2014 buildings, fixtures and plant included £4,484,000 (2013 - £1,647,000) in respect of assets under construction in the consolidated accounts. In the University assets under construction amounted to £4,484,000 (2013 - £1,462,000). The book value of Funding Council assets are disclosed in Note 18.

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

	CONSOLIDATED	UNIVERSITY
	£'000	£'000
<b>12. Endowment assets</b>		
At beginning of year	5,795	7,223
Additions	491	491
Disposals	(610)	(610)
	(119)	(119)
Revaluation	107	107
At end of year	5,783	7,211
Endowment assets:-		
Equities and other listed securities	1,905	1,905
Equities ( <i>unlisted</i> )	42	42
Investments in subsidiaries	-	1,428
Land	339	339
Cash at bank and in hand including short term deposits	3,497	3,497
	5,783	7,211

The University Balance Sheet on Page 22 shows Endowment assets equal to Endowments in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education. On consolidation it is necessary to remove from Endowment assets, the investments in subsidiaries costs of £1,428,000.

	UNIVERSITY	
	2014	2013
	£'000	£'000
<b>13. Investment in subsidiaries</b>		
At beginning of year	3,758	3,758
Additions	-	-
At end of year	3,758	3,758

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

**13. Investment in subsidiaries** *(continued ...)*

At 31st July, 2014 the group's principal subsidiaries, all of which were wholly owned and registered in England and Wales, comprised:-

COMPANY	NATURE OF BUSINESS
<b>Cranfield Ventures Limited</b>	Holding company
Cranfield Enterprises Limited	Holds investments in spin-out companies
Silsoe Ventures Limited	Develop and market software
Novaswift Ventures Limited	Dormant
CIT Holdings Limited	Holding company
Cranfield Aerospace Limited	Aerospace research and development
<b>Cranfield Conference Centre Limited</b>	Provision of conference and accommodation services
<b>Cranfield Quality Services Limited</b>	Provision of staff
Cranfield Regatta Limited	Organisation of an annual sailing event
<b>Cranfield Innovative Manufacturing Limited</b>	Consultancy and development programmes in manufacturing
Cranfield Impact Centre Limited	Design of crash safety equipment and data recording systems
<b>Cranfield Management Development Limited</b>	Provision of executive development programmes
<b>Cranfield Engineering Innovations Limited</b>	Provision of electronic risk assessments

	CONSOLIDATED		UNIVERSITY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
<b>14. Debtors</b>				
Work in progress	10,379	9,974	9,886	9,241
Trade debtors	18,389	19,079	13,104	14,690
Prepayments and accrued income	4,595	3,092	4,137	2,769
Other taxes	36	13	-	-
Amounts receivable from subsidiary undertakings	-	-	4,617	3,864
	<u>33,399</u>	<u>32,158</u>	<u>31,744</u>	<u>30,564</u>

Included in amounts receivable from subsidiary undertakings is £1,595,000 (2013 - £2,082,000) which is recoverable after more than one year.

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

		<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>14.</b>	<b>Debtors (continued ...)</b>				
	Work in progress comprises:-				
	Costs incurred to date				
	less foreseeable losses	56,012	66,025	53,615	59,590
	Less: progress payments	(45,633)	(56,051)	(43,729)	(50,349)
		<u>10,379</u>	<u>9,974</u>	<u>9,886</u>	<u>9,241</u>
<b>15.</b>	<b>Creditors: amounts falling due within one year</b>				
	Bank loans	1,503	1,497	1,503	1,497
	Finance lease obligations	-	2	-	2
	Amounts owed to subsidiary undertakings	-	-	232	241
	Trade creditors and accruals	14,249	14,193	11,573	11,664
	Social security costs and other taxes	2,051	3,555	1,597	3,064
	Deposits and income in advance	33,159	30,680	30,981	28,593
		<u>50,962</u>	<u>49,927</u>	<u>45,886</u>	<u>45,061</u>
<b>16.</b>	<b>Creditors: amounts falling due after more than one year</b>				
	Bank loans	15,421	17,360	15,421	17,360
	Finance lease obligations	-	-	-	-
		<u>15,421</u>	<u>17,360</u>	<u>15,421</u>	<u>17,360</u>
<b>a.</b>	<b>Bank loans</b>				
	Bank loans are repayable:-				
	Within one year	1,503	1,497	1,503	1,497
	Between one and two years	1,348	1,501	1,348	1,501
	Between two to five years	4,339	4,341	4,339	4,341
	After five years	9,734	11,518	9,734	11,518
		<u>16,924</u>	<u>18,857</u>	<u>16,924</u>	<u>18,857</u>

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

		CONSOLIDATED		UNIVERSITY	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
16.	<b>Creditors: amounts falling due after more than one year</b> (continued ...)				
	<i>b. Finance leases</i>				
	The net finance lease obligations to which the University is committed are:-				
	Within one year	-	2	-	2
	Within two to five years	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		-	2	-	2
		<hr/>	<hr/>	<hr/>	<hr/>

The Group had the following bank loans at 31st July, 2014:-

Interest Rate	Loan Type	Security	Final Repayment	Loan Outstanding £'000
1. Euro base + 0.18%	Floating(Euros)	None	15th August 2027	5,924
2. Sterling base + 0.18%	Floating	None	31st July 2027	8,389
3. 8.71%	Fixed	Land and buildings	14th March 2022	2,039
4. Interest Free	Salix Fixed	None	1st September 2014	11
5. Interest Free	Salix Fixed	None	1st September 2016	399
6. Interest Free	Salix Fixed	None	1st September 2017	162
				<hr/>
				16,924
				<hr/>

		Staff restructuring	Other	Total
		£'000	£'000	£'000
17.	<b>Provisions for liabilities and charges</b>			
	<i>a. Consolidated</i>			
	At beginning of year	732	512	1,244
	Utilised	(662)	(96)	(758)
	Charged to income and expenditure account	13	28	41
		<hr/>	<hr/>	<hr/>
	At end of year	83	444	527
		<hr/>	<hr/>	<hr/>



CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

	Staff restructuring	Other	Total
	£'000	£'000	£'000
17. Provisions for liabilities and charges (continued ...)			
b. University			
At beginning of year	547	467	1,014
Utilised	(477)	(54)	(531)
Charged to income and expenditure account	13	27	40
At end of year	83	440	523

Staff restructuring will be utilised during the next financial year and relates to the re-organisation of activities within the School of Management and Professional Services. Other relates to a warranty provision and costs related to legal compliance and their associated legal costs.

	General	Funding Council	Total
	£'000	£'000	£'000
18. Deferred capital grants			
Consolidated and University			
At beginning of year			
Buildings	13,225	22,409	35,634
Equipment	3,280	11,934	15,214
	16,505	34,343	50,848
Cash receivable			
Buildings	-	-	-
Equipment	157	1,987	2,144
Released to income and expenditure account			
Buildings	(393)	(732)	(1,125)
Equipment	(718)	(2,816)	(3,534)
At end of year	15,551	32,782	48,333
Buildings	12,832	21,677	34,509
Equipment	2,719	11,105	13,824
	15,551	32,782	48,333

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

		CONSOLIDATED AND UNIVERSITY		
		Restricted Expendable	2014 Total	2013 Total
		£'000	£'000	£'000
19.	<b>Endowments</b>			
	At beginning of year			
	Capital	6,427	6,427	6,614
	Accumulated income	796	796	731
		<hr/>	<hr/>	<hr/>
		7,223	7,223	7,345
	New endowments	418	418	367
	Investment income	73	73	111
	Expenditure	(610)	(610)	(818)
		<hr/>	<hr/>	<hr/>
		(537)	(537)	(707)
	Increase in market value of investments	107	107	218
		<hr/>	<hr/>	<hr/>
	At end of year	7,211	7,211	7,223
		<hr/>	<hr/>	<hr/>
	Represented by:			
	Capital	6,370	6,370	6,427
	Accumulated income	841	841	796
		<hr/>	<hr/>	<hr/>
		7,211	7,211	7,223
		<hr/>	<hr/>	<hr/>

The University has identified the capital value of endowments funds from historical records, where they are available. In relation to the Appeal to Industry Fund, the University has followed the British Universities Finance Directors Group (BUFDG) Guidance Note and adopted the value of the Fund at 31st July, 1998 as the basis of the assumed capital value at 1st August, 2006.

		CONSOLIDATED AND UNIVERSITY	
		£'000	
20.	<b>Revaluation reserve</b>		
	At beginning of year	43,507	
	Revaluations in year	-	
		<hr/>	
	At end of year	43,507	
		<hr/>	
		CONSOLIDATED	UNIVERSITY
		£'000	£'000
21.	<b>Income and expenditure reserve (excluding pension reserve)</b>		
	At beginning of year	62,591	61,425
	Surplus / (deficit) retained for the year	1,062	1,093
	Transfer to pension reserve	(49)	(49)
		<hr/>	<hr/>
	At end of year	63,604	62,469
		<hr/>	<hr/>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

		<b>CONSOLIDATED AND UNIVERSITY</b>	
		<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
<b>22. Pension reserve</b>			
<b>Movement in deficit during the year:</b>			
Deficit in scheme at beginning of the year		(43,029)	(40,181)
Movement in year:			
Current service cost		(2,104)	(1,832)
Contributions		3,446	3,288
Past service cost		-	-
Curtailment cost		(47)	(65)
Other finance charge		(1,246)	(1,642)
Actuarial (loss)/gain		(3,207)	(2,597)
<b>Deficit in scheme at end of the year</b>		<b>(46,187)</b>	<b>(43,029)</b>

The pension reserve represents the University's share of the deficit in the Bedfordshire County Council Local Government Pension Scheme as detailed in Note 29 (Page 39).

		<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>23. Lease obligations</b>					
Commitments under operating leases					
At 31st July, 2012 there were annual commitments under non-cancellable operating leases expiring as follows:-					
Land and buildings					
Within one year	27	-	27	-	
Between two and five years	565	554	565	554	
In more than five years	235	235	235	235	
	<u>827</u>	<u>789</u>	<u>827</u>	<u>789</u>	
Other					
Within one year	15	34	-	-	
Between two and five years	51	67	-	-	
In more than five years	-	-	-	-	
	<u>66</u>	<u>101</u>	<u>-</u>	<u>-</u>	

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>24. Capital commitments</b>				
a. Capital expenditure contracted but not provided in the accounts	5,957	1,248	5,957	1,248
b. Capital expenditure authorised but not contracted	21,069	4,665	21,069	4,665

	<b>CONSOLIDATED</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>25. Reconciliation of operating (deficit) / surplus before taxation to net cash inflow from operating activities</b>		
Operating surplus / (deficit) before taxation	530	(1,092)
Endowment and investment income	(427)	(494)
Interest payable	1,513	1,928
Other pension costs (FRS17 adjustment)	(1,295)	(1,391)
Depreciation charge	10,366	10,939
Deferred capital grants released	(4,659)	(5,347)
Deficit / (surplus) on disposal of tangible fixed assets	139	(416)
Foreign exchange (gain) / loss	(402)	886
Impairment of tangible fixed assets	14	15
Movement in working capital		
Stock	(7)	(13)
Work in progress	(405)	707
Debtors	(836)	2,309
Creditors	(62)	(3,104)
Deposits and income in advance	(338)	508
Provisions	(717)	(725)
	(2,365)	(318)
Net cash inflow from operating activities	3,414	4,710

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

		CONSOLIDATED	
		2014	2013
		£'000	£'000
26.	<b>Analysis of changes in loan and finance leases during the year</b>		
	At beginning of year	18,859	18,754
	New leases/loans	185	639
	Capital repayments	(1,498)	(1,376)
	Foreign exchange (gain) / loss	(622)	842
	At end of year	<u>16,924</u>	<u>18,859</u>

		CONSOLIDATED	
		2014	2013
		£'000	£'000
27.	<b>Reconciliation of net cash flow to movement in net funds</b>		
	(Decrease) / increase in cash at bank and in hand	(897)	9,699
	Decrease in bank overdraft	-	-
	(Decrease) / increase in cash	(897)	9,699
	Decrease in loans and finance leases	1,313	737
	Change in net funds	<u>416</u>	<u>10,436</u>
	Net funds at beginning of year	15,177	5,541
	Foreign exchange gain / (loss)	498	(800)
	Net funds at end of year	<u>16,091</u>	<u>15,177</u>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

**28. Analysis of changes in net funds / (debt)**

	At beginning of year	Cash Flows	Other movements	At end of year
	£'000	£'000	£'000	£'000
Cash at bank and in hand including short term deposits	34,036	(897)	(124)	33,015
Bank overdraft	-	-	-	-
	<u>34,036</u>	<u>(897)</u>	<u>(124)</u>	<u>33,015</u>
Loans and finance leases within one year	(1,499)	(4)	-	(1,503)
Loans and finance leases after one year	(17,360)	1,317	622	(15,421)
	<u>15,177</u>	<u>416</u>	<u>498</u>	<u>16,091</u>

**29. Pensions**

The two pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) administered by Bedfordshire County Council. The assets of the USS are held in a separate trustee-administered fund and a Pension Fund Investment Advisory Panel is responsible for the investment arrangements of the assets of the LGPS. Both schemes are defined benefit schemes, which are externally funded, valued every three years by actuaries using the projected unit method and are contracted out of the State Earnings Related Pensions Scheme. In the intervening years, the actuaries review the progress of the schemes.

Since October 2011 USS has provided two schemes, the first for existing members of staff at 30<sup>th</sup> September who are presently members of USS, this scheme has benefits based on final pensionable salary for academic and related employees of all universities in the United Kingdom and some other employers, the second for new entrants (other than in some specific, limited circumstances) are now provided on a career re-valued benefit basis.

LGPS provides similar benefits for other staff of the University, based on their final salary.

Pension costs are assessed, in accordance with the advice of the actuary, based on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

29. **Pensions** *(continued...)*

**USS**

It is not possible to identify each participating institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if the scheme was a defined contribution scheme. The cost recognised within the surplus or deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year. The latest actuarial valuation of the scheme was as at 31st March, 2011. The assumptions which had the most significant effect on the result of the valuation were those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum and salary increases 4.4% per annum. The institution contribution rate required for future service benefits alone at the date of valuation was 16% of salaries. The next formal actuarial valuation is due as at 31st March, 2014 when the rates will be reviewed. The results of this actuarial valuation should be known by early 2015. Deficits or surpluses that arise from this valuation may impact on the University's future contribution commitment.

The assumptions in relation to future service liabilities and other data which have the most significant effect on the determination of the contribution levels are as follows: -

Latest actuarial valuations	31st March, 2011
Investment returns per annum	4.4%
Salary scale increases per annum	4.4%
Market value of assets at date of last valuation	£32,433.5 million
Proportion of members' accrued benefits covered by the actuarial value of the assets (technical provisions basis)	92%
Proportion of members' accrued benefits covered by the actuarial value of the assets (historic gilts basis)	68%

**LGPS**

The rate of the University's employer's contributions for LGPS is determined by the actuaries and increased to 17% of pensionable salaries with effect from 1st October 2009. Employee rates for LGPS are statutorily prescribed. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowances for future withdrawals.

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

29. **Pensions** (continued ...)

**LGPS** (continued ...)

The figures disclosed below estimated by the actuary as at 31st July, 2014 have been derived by suitable approximation methods from the full actuarial valuation as at 31st March, 2013. Surpluses or deficits that arise may impact on the University's future contribution commitment.

The major assumptions used by the actuary as at 31st July, 2014 are as follows:-

	2014	2013 %	2012 %
Salary scale increases per annum	3.3	5.1	3.9
Pension increases per annum	2.5	2.8	2.0
Discount rate per annum	3.9	4.6	4.3
Members opting for enhanced commutation pre 2008 service	50.0	50.0	50.0
Members opting for enhanced commutation post 2008 service	75.0	75.0	75.0

The assumed life expectations on retirement at age 65 are:-

	2014	2013
Retiring today		
Males	22.4	21.6
Females	24.3	23.2
Retiring in 25 years		
Males	24.4	23.6
Females	26.8	25.6

The estimated University share of the assets in the scheme and the expected rates of return were:-

	2014		2013		2012	
	Long term return expected %	Assets £'000	Long term return expected %	Assets £'000	Long term return expected %	Assets £'000
Equities	6.6	45,471	6.4	44,795	5.5	29,007
Property	4.7	5,846	4.6	5,119	3.7	5,021
Bonds	3.7	11,693	3.9	12,159	3.5	9,483
Cash	3.6	1,949	3.4	1,920	2.8	12,273
	<hr/> 5.8 <hr/>	<hr/> 64,959 <hr/>	<hr/> 5.7 <hr/>	<hr/> 63,993 <hr/>	<hr/> 4.4 <hr/>	<hr/> 55,784 <hr/>

There is no provision for unitising the assets of a Fund under LGPS. The asset of the scheme, as a whole, is allocated to participating bodies on a consistent and reasonable basis.



CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

29. **Pensions** (continued ...)

The University's share of the underlying assets and liabilities are as follows:-

	2014	2013	2012
	£'000	£'000	£'000
Market value of assets	64,959	63,993	55,784
Present value of liabilities	(111,146)	(107,022)	(95,965)
Deficit – net pension liability	<u>(46,187)</u>	<u>(43,029)</u>	<u>(40,181)</u>

	2014	2013
	£'000	£'000
Analysis of the total operating charge:-		
Current service cost	2,104	1,832
Loss due to curtailments	47	65
Past service cost	-	-
Total operating charge	<u>2,151</u>	<u>1,897</u>

Analysis of the amount charged to interest payable:-

Expected return on pension scheme assets	(3,638)	(2,461)
Interest on pension scheme liabilities	4,884	4,103
Pension finance costs	<u>1,246</u>	<u>1,642</u>
Total income and expenditure account charge	<u>3,397</u>	<u>3,539</u>

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2014  
(continued...)

29. Pensions (continued ...)

	2014	2013
	£'000	£'000
<b>Analysis of amount recognised in statement of total recognised gains and losses:-</b>		
Actual return less expected return on pension scheme assets	(3,207)	(2,597)
Experience gains and losses arising on the scheme liabilities	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	-	-
Actuarial loss recognised	<u>(3,207)</u>	<u>(2,597)</u>
<b>Analysis of movements in the present value of the scheme liabilities:-</b>		
At beginning of year	107,022	95,965
Current service cost	2,104	1,832
Interest cost	4,884	4,103
Contributions by members	589	601
Actuarial losses / (gains)	788	8,051
Past service (gains)/costs	-	-
Losses on curtailments	47	65
Estimated underfunded benefits paid	-	-
Estimated benefits paid	(4,288)	(3,595)
At end of year	<u>111,146</u>	<u>107,022</u>
<b>Analysis of movement in the market value of the scheme assets:-</b>		
At beginning of year	63,993	55,784
Expected return on assets	3,638	2,461
Contributions by members	589	601
Contributions by the employer	3,446	3,288
Contributions in respect of unfunded benefits	-	-
Actuarial (losses)/gains	(2,419)	5454
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(4,288)	(3,595)
At end of year	<u>64,959</u>	<u>63,993</u>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2014**  
*(continued...)*

29. **Pensions** *(continued ...)*

	2014	2013	2012	2011	2010
<b>Details of experience gains and losses for the year:</b>					
Loss/(gain) on scheme assets:					
Amount (£'000)	(2,419)	5,454	(1,626)	(1,423)	3,059
Percentage of scheme assets	(3.7%)	8.5%	(2.9%)	(2.6%)	5.8%
Experience gain/(loss) on scheme liabilities:					
Amount (£'000)	3,651	(108)	(1,325)	10,030	(7)
Percentage of the present value of the scheme liabilities	3.3%	(0.1%)	(1.4%)	11.8%	0.0%
<b>Total (loss)/gain recognised in the statement of total recognised gains and losses:</b>					
Amount (£'000)	(3,207)	(2,597)	(9,765)	11,708	3,783
Percentage of the present value of scheme liabilities	(2.9%)	(2.4%)	(10.2%)	13.7%	4.0%

In addition to the main schemes described above, some of the subsidiaries operate their own pension schemes, details of which can be found in the individual company accounts.

	<b>CONSOLIDATED</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
30. <b>Access funds</b>		
Funding Council grants	38	34
Disbursed to students	(22)	(21)
	<hr/>	<hr/>
Balance unspent at end of year	16	13
	<hr/>	<hr/>

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

	<b>CONSOLIDATED</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
31. <b>Profit/(loss) on the disposal of assets</b>		
Profit on the disposal of the business of Sudbury House Hotel	-	397
(Loss)/profit on the disposal of tangible fixed assets	(139)	19
	<hr/>	<hr/>
	(139)	416
	<hr/>	<hr/>

On the 31<sup>st</sup> May, 2013 the business of Novaswift Ventures Limited (formerly Sudbury House Hotel Limited) was sold to a third party for £450,000 in an arm's length transaction. Total proceeds, including the sale of the University owned property was £1.4million. As a result of this sale, there is a warranty of £300,000 given to the purchaser that expires two years from the date of sale. The University does not believe that this potential contingent liability will crystallise.

## 32. **Related party transactions**

The University has taken advantage of the exemption of Financial Reporting Standard 8 (Revised) "Related party transactions" not to disclose transactions between the University and its wholly owned subsidiary undertakings.

Due to the nature of the University's operations and the composition of the Council, it is inevitable that transactions will take place from time to time with organisations in which a Council member may have an interest. All transactions involving organisations in which a member of the Council has an interest are conducted at arm's length and in accordance with the University's Financial Manual and normal procurement procedures.