



## CRANFIELD UNIVERSITY

### FINANCIAL STATEMENTS

for the year ended 31st July, 2016

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**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2016**

The activities of the University include teaching, research, design and development work in the themes of Aerospace, Defence and Security, Energy and Power, Environment and Agrifood, Manufacturing, Transport Systems, Water 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.

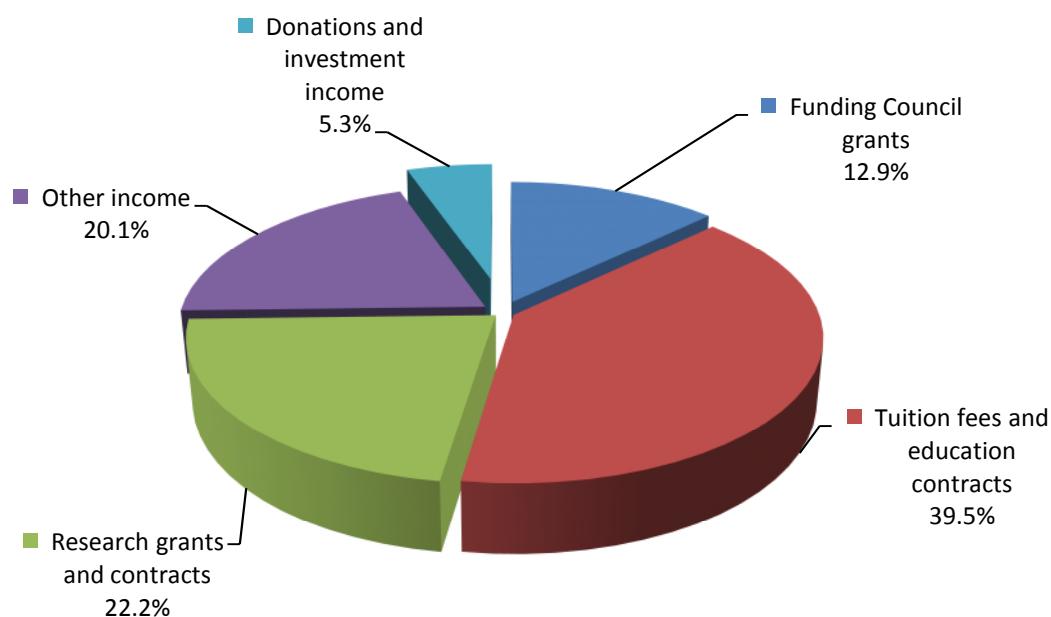
The financial statements comprise the consolidated results of the University and its subsidiaries. Subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through a limited company and include the development of activities emanating from Cranfield University. This is the first year that the University has produced its statutory accounts in accordance with the Financial Reporting Standard 102 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. This has required the 2015 accounts to be restated as though they had been prepared under the same basis. A full reconciliation between the original 2015 accounts and the restated 2015 accounts can be found in note 25.

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

The consolidated results for the year ended 31st July, 2016 are summarised below:-

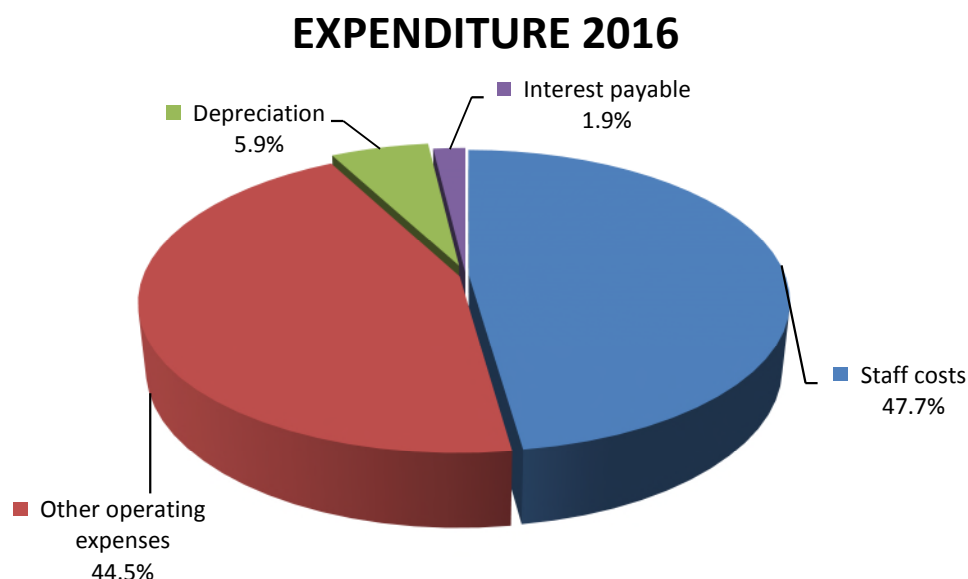
	2016	2015 Restated
	£'000	£'000
Income	176,243	167,989
Expenditure	(176,135)	(162,866)
Operating surplus for the year	<u>108</u>	<u>5,123</u>

**INCOME 2016**



**CRANFIELD UNIVERSITY**  
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(continued...)

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



Income was 4.9% higher compared to the previous year. Although research and other income increased in the year, tuition fees and education contracts declined slightly. The total comprehensive income for the year retained in unrestricted reserves was £2,163,000 (2015 Restated loss £3,876,000).

Capital expenditure in the year amounted to £30,042,000 (2015 - £19,400,000). This starts to reflect Cranfield's success in winning a number of key infrastructure projects, including the Aircraft Integration Research Centre and the Autonomous Vehicle teaching facility which have continued to be developed during the year and will become operational between December 2016 and March 2017. The Centre for Atmospheric Informatics and Emissions was completed in May and is now operational. These projects are over 70% funded by external parties. In addition, the University has received the second contractual payment amounting to £2,000,000 (2015 - £2,000,000) relating to a reorganisation of the use of the airport during the year as detailed in Note 3.

The statement of consolidated cash flow shows a decrease in cash of £26,663,000. Net cash outflows from operating activities were £9,485,000. This was generated by changes in the working capital profile with reduced professional development income leading to a fall in deferred income and increases in research leading to an increase in work in progress.

Consolidated total reserves increased by £1,865,000 (2015 – decrease by £4,900,000) as explained in the statement of changes in reserves on page 22. Included in arriving at this figure, there is a decrease of £8,783,000 relating to the movement on the University defined benefit pension schemes (Universities Superannuation Scheme and Bedfordshire County Council pension fund) as shown in Note 16. This is offset by a £10,624,000 increase in land valuation following a tri-annual valuation by Gerald Eve LLP at 31 July 2016.

### Principal risks and uncertainties

The University receives a smaller proportion of its income from HEFCE, which was 12.9% for the 2015/16 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.

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**Principal risks and uncertainties** (continued...)

The BREXIT vote in June 2016 adds significantly to the Universities short and medium term risk profile as significant student numbers come from within the EC alongside EC research funding. Uncertainty has also been seen in the professional development market with companies holding back on training budgets until the actual BREXIT impacts start to become clearer.

As with other Higher Education Institutions, Cranfield is vulnerable to decisions made by HEFCE, Research Councils and other Government bodies. Cranfield traditionally has received significant specialist institution funding. Cranfield has continued to be deemed a world leading specialist institution by HEFCE in their 2015/16 review, but funding has been significantly reduced from 2016/17.

The funding for postgraduates and their access to funding sources to finance their studies continues to be of a concern and innovative solutions continue to be required 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 see continued significant take up of its postgraduate loan scheme, part funded from HEFCE during 2015/16 and the introduction of the Government Post Graduate Loan Scheme from September 2016.

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.

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

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

	Cranfield Actual 2016	Cranfield Actual Restated 2015	Mean Average HEFCE funded HEI* Forecast 2015
Income growth / (reduction)	4.9%	(2.7%)	5.2%
Operating surplus for year as a % of total income	0.06%	3.0%	5.0%
Staff costs before exceptional costs and USS pension provision movement as a % of total income	47.7%	47.1%	52.6%
Cash flow from operating activities as a % of total income	(5.4%)	5.5%	8.4%
Net liquidity as number of days expenditure	15	64	122
External borrowings as a % of total income	8.9%	10.0%	26.2%
Discretionary reserves as a % of total income	50.9%	52.1%	64.4%

\*Source: HEFCE Sept 2015

The table above reflects the position that, despite a challenging year in terms of bottom line performance, but 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.

**CRANFIELD UNIVERSITY**  
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**FOR THE YEAR ENDED 31ST JULY, 2016**  
(continued...)

**Outlook for 2016/2017**

Cranfield will continue to develop around its thematic offerings in Aerospace, Agrifood, Defence and Security, Energy, Environment, Water, Management, Manufacturing and Transport, supported by the professional service units that were created in 2014/15.

The budgeted surplus for 2016/17 is in line with the five year corporate plan and should be achievable providing the challenging growth targets for education and research income levels can be delivered in light of the BREXIT vote.

With regard to capital expenditure, Cranfield has continued to be successful in winning high profile investment bids for the development of facilities to support an urban water innovation and test facility on the Cranfield campus with £7.4 million of the £9.6 million coming from Government funding.

**Pensions**

The University has implemented the provisions of FRS 102 and therefore continues to take onto the consolidated balance sheet the actuarial valuation of the pension liability in respect of its share of the Bedfordshire County Council Pension Fund.

For the first time though it also has to recognise on balance sheet the obligation for its share of the University Superannuation Scheme (USS). The USS has deficit recovery plans in place covering the period following each triennial valuation which include additional employer contributions to correct the shortfall in the scheme.

The total USS pension deficit across the sector has been calculated. The University share of the deficit has been estimated as at 31 July, 2016 and there is a net pension liability of £14,908,000 (2015 - £14,121,000) applicable to the University. Details are provided in Note 22.

The share of underlying assets and liabilities of the Local Government Pension Scheme (LGPS) is able to be identified as at 31st July, 2016 and there is a net pension liability of £57,613,000 (2015 - £49,617,000) applicable to the University. Details are provided in Note 22.

**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 certain teaching and research 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.

**CRANFIELD UNIVERSITY**  
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(continued...)

**Public Benefit report** (continued...)

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.

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.

**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
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(continued...)

**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 29% 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	2014/15	2015/16
Tonnes CO2	15,700	14,900	14,400	13,200

The decrease since 2007/2008 reflects the significant investment the University has put into energy saving initiatives such as a new Biomass boiler which came on stream in 2014/15, improvements to the district heating system and energy efficient refurbishments to the real estate. This goes alongside significant efforts from "Green Teams" within the staff and student bodies to ensure sector best practice is employed wherever possible.

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 through a programme of rolling out OHSAS 18001 Health and Safety Management accreditation across the University in all areas of work and study. The University achieved full accreditation under OHSAS 18001 in July 2016.

**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. The University looks to use small and local suppliers where appropriate and looks to pay them within two weeks of invoice wherever possible. In agreements negotiated with other suppliers, the University endeavours to include and abide by specific payment terms in accordance with best commercial practice.

**CRANFIELD UNIVERSITY**  
**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
(continued...)

**Corporate governance**

The University is committed to following best practice in all aspects of corporate governance. This year's statement appears on pages 9 to 11 which reports full compliance with the UK Corporate Governance Code provisions relating to risk management.

**Conclusion**

The University faced a challenging financial year with declines in both the recruitment of students and professional development income levels. Strategic reviews have been undertaken in both areas and a recovery plan put in place which would anticipate these declines reversing in 2017. There remains uncertainty across the sector around student numbers and research income following the BREXIT vote.

The University has continued to win large infrastructure funding bids to support its Estates strategy and the Corporate Plan.

C P Fairweather MA FCA  
Chair of Finance Committee

10<sup>th</sup> October, 2016



## 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 8 and the responsibilities of the Council are outlined on page 12. 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 Audit Committee on behalf of the Council. The Audit 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(CUC) Higher Education Code of Governance (2014), 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, the 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 and to establish the conditions of appointment and the arrangements for monitoring their 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 human resource 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;
- 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 and to ensure that if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability;
- 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;

## PRIMARY RESPONSIBILITIES OF THE COUNCIL

*(continued ...)*

- receive assurance that adequate provision has been made for the general welfare of students;
- 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 2015 to 10<sup>th</sup> October 2016 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	
Mr Kelechi Anyaoha		from 1 May 2016
Professor Jackie Akhavan		until 30 September 2016
Sir David Arculus		
Dr Tracey Bailey		until 30 September 2016
Professor Graham Braithwaite		
Mr Anthony Carey	Chair of Audit Committee	
Mr Paul Fairweather	Chair of Finance Committee	
Mr Iain Ferguson		
Professor Clifford Friend		until 31 December 2015
Mr Douglas Hunter		
Mr Mark Lewis		from 1 October 2016
Mrs Moni Mannings		
Dr Maxine Mayhew		from 1 June 2016
Miss Chiara Palla		until 30 April 2016
Dr Andreas Raffel	Deputy Chair of Council	
Mrs Louise Redmond		
Professor Lynette Ryals		from 1 January 2016
Dr Frances Saunders		until 31 May 2016
Mr Bill Thomas		
Dr Christine Thompson		from 1 October 2016

\*Ex-officio

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 2015 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.

## PRIMARY RESPONSIBILITIES OF THE COUNCIL

*(continued ...)*

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; and
- 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; and
- 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 financial statements of Cranfield University for the year ended 31 July 2016 set out on pages 17 to 48. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council, in accordance with the Charters 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 Governing Body [or Board of Governors or Council] and auditor**

As explained more fully in the Statement of Responsibilities of Council set out on page 12 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 Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

### **Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

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



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

**1. Basis of accounting and preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of land fixed assets). The following exemption available under FRS 102 has been applied to these financial statements:

- Disclosures in respect of transactions with wholly owned subsidiaries.

**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 from the sale of goods and services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Other income received in relation to the utilisation of the university estate is recognised in accordance with the terms of the underlying transaction.

Tuition fee income is stated gross of any expenditure over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

**(1) Grant Funding**

Grant funding including Funding Council block grant, research grants from government sources, grants (including research grants) from non government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

**(2) Donations and endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted

## CRANFIELD UNIVERSITY

### PRINCIPAL ACCOUNTING POLICIES

(continued...)

reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified in reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

#### (3) **Capital grants**

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

#### 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

#### 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, 2016 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.

## CRANFIELD UNIVERSITY

### PRINCIPAL ACCOUNTING POLICIES

(continued...)

(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.

(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

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) Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

(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.

## CRANFIELD UNIVERSITY

### PRINCIPAL ACCOUNTING POLICIES

*(continued...)*

#### 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.

#### 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 22. 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.

#### 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.

#### 17. **Transition to 2015 SORP**

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 25.

CRANFIELD UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31ST JULY, 2016

	Notes	2016 £'000	2015 Restated £'000
<b>Income</b>			
Funding Council grants	1	22,688	23,004
Tuition fees and education contracts	2	69,702	70,066
Research grants and contracts		39,083	36,424
Other income	3	35,354	30,728
Investment income	4	370	413
Donations and endowments	5	9,046	7,354
<b>Total income</b>		<b>176,243</b>	<b>167,989</b>
<b>Expenditure</b>			
Staff costs			
Operating staff costs	6	84,104	80,087
USS pension provision movement	22	1,052	7,771
Total staff costs		85,156	87,858
Other operating expenses		77,344	71,215
Depreciation	10	10,354	9,641
Interest and other finance costs	8	3,360	1,954
<b>Total expenditure</b>	7	<b>176,214</b>	<b>170,668</b>
<b>Surplus/(deficit) before other gains and losses</b>		<b>29</b>	<b>(2,679)</b>
(Loss)/profit on disposal of assets		(25)	43
(Loss)/gain on investments	18	(3)	77
Surplus/(deficit) before tax		1	(2,559)
Taxation	9	(945)	(89)
<b>Deficit for the year</b>		<b>(944)</b>	<b>(2,648)</b>
Unrealised surplus on revaluation of land and buildings		10,624	-
Actuarial loss in respect of pension schemes	16	(7,815)	(2,252)
<b>Total comprehensive income/(loss) for the year</b>		<b>1,865</b>	<b>(4,900)</b>
Represented by:			
Endowment comprehensive loss for the year		(298)	(1,024)
Unrestricted comprehensive income/(loss) for the year		2,163	(3,876)
		1,865	(4,900)
<b>Operating surplus before USS pension provision movements</b>			
Deficit for the year		(944)	(2,648)
USS pension cost		1,052	7,771
<b>Operating surplus for the year</b>		<b>108</b>	<b>5,123</b>

The notes on pages 26 to 48 form part of these accounts.

CRANFIELD UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31ST JULY, 2016

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
<b>Restated balance at 1 August 2014</b>	<b>7,211</b>	<b>-</b>	<b>47,864</b>	<b>43,507</b>	<b>98,582</b>
Deficit from the income and expenditure statement	(1,024)	-	(3,876)	-	(4,900)
Other comprehensive income	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	1,100	(1,100)	-
Release of restricted funds spent in year	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(1,024)</b>	<b>-</b>	<b>(2,776)</b>	<b>(1,100)</b>	<b>(4,900)</b>
<b>Balance at 1 August 2015</b>	<b>6,187</b>	<b>-</b>	<b>45,088</b>	<b>42,407</b>	<b>93,682</b>
Surplus/(deficit) from the income and expenditure statement	(298)	-	2,163	-	1,865
Other comprehensive income	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	(10,624)	10,624	-
Release of restricted funds spent in year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(298)</b>	<b>-</b>	<b>(8,461)</b>	<b>10,624</b>	<b>1,865</b>
<b>Balance at 31 July 2016</b>	<b>5,889</b>	<b>-</b>	<b>36,627</b>	<b>53,031</b>	<b>95,547</b>

University	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
<b>Restated balance at 1 August 2014</b>	<b>7,211</b>	<b>-</b>	<b>47,624</b>	<b>43,507</b>	<b>98,342</b>
Deficit from the income and expenditure statement	(1,024)	-	(4,798)	-	(5,822)
Other comprehensive income	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	1,100	(1,100)	-
Release of restricted funds spent in year	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(1,024)</b>	<b>-</b>	<b>(3,698)</b>	<b>(1,100)</b>	<b>(5,822)</b>
<b>Balance at 1 August 2015</b>	<b>6,187</b>	<b>-</b>	<b>43,926</b>	<b>42,407</b>	<b>92,520</b>
Surplus/(deficit) from the income and expenditure statement	(298)	-	3,031	-	2,733
Other comprehensive income	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	(10,624)	10,624	-
Release of restricted funds spent in year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(298)</b>	<b>-</b>	<b>(7,593)</b>	<b>10,624</b>	<b>2,733</b>
<b>Balance at 31 July 2016</b>	<b>5,889</b>	<b>-</b>	<b>36,333</b>	<b>53,031</b>	<b>95,253</b>

The notes on pages 26 to 48 form part of these accounts.

**CRANFIELD UNIVERSITY**  
**BALANCE SHEETS AT 31ST JULY, 2016**

	Notes	CONSOLIDATED		UNIVERSITY	
		2016	2015	2016	2015
		£'000	Restated £'000	£'000	Restated £'000
<b>Non-current assets</b>					
Fixed assets	10	194,369	163,913	188,546	157,491
Investments	11	3,408	2,289	3,408	2,289
Investments in subsidiaries	12	-	-	5,186	5,186
		<u>197,777</u>	<u>166,202</u>	<u>197,140</u>	<u>164,966</u>
<b>Current assets</b>					
Stock		245	267	178	202
Debtors	13	41,624	33,669	39,378	30,819
Cash at bank and in hand		7,321	33,984	4,362	31,300
		<u>49,190</u>	<u>67,920</u>	<u>43,918</u>	<u>62,321</u>
Less: Creditors: amounts falling due within one year	14	(65,407)	(60,978)	(59,928)	(55,357)
<b>Net current (liabilities) / assets</b>		<u>(16,217)</u>	<u>6,942</u>	<u>(16,010)</u>	<u>6,964</u>
<b>Total assets less current liabilities</b>		<u>181,560</u>	<u>173,144</u>	<u>181,130</u>	<u>171,930</u>
Creditors: amounts falling due after more than one year	15	(13,322)	(14,800)	(13,322)	(14,800)
<b>Provisions</b>					
Pension provisions	16	(72,521)	(63,738)	(72,482)	(63,690)
Other provisions	17	(170)	(924)	(73)	(920)
<b>Total net assets</b>		<u>95,547</u>	<u>93,682</u>	<u>95,253</u>	<u>92,520</u>
<b>Financed by:-</b>					
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	18	5,889	6,187	5,889	6,187
Income and expenditure reserve – restricted reserve		-	-	-	-
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		36,627	45,088	36,333	43,926
Revaluation reserve		53,031	42,407	53,031	42,407
<b>Total Reserves</b>		<u>95,547</u>	<u>93,682</u>	<u>95,253</u>	<u>92,520</u>

The financial statements on pages 17 to 46 were approved by the Council on 10<sup>th</sup> October, 2016 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 26 to 48 form part of these accounts.



CRANFIELD UNIVERSITY

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31ST JULY, 2016

	Notes	2016 £'000	2015 Restated £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(944)	(2,648)
<b>Adjustment for non-cash items</b>			
Depreciation	10	10,354	9,641
Amortisation of intangibles		-	15
Gain/(loss) on investments	18	3	(77)
(Increase)/decrease in stock		22	(18)
Increase in debtors		(7,955)	(1,907)
(Decrease)/Increase in creditors		(14,015)	2,851
Increase/(decrease) in pension provision		9,835	6,896
(Decrease)/increase in other provisions		(754)	397
<b>Adjustment for investing or financing activities</b>			
Investment income	4	(370)	(413)
Interest payable	8	3,360	1,954
Endowment income		-	-
Loss/(profit) on the sale of fixed assets		25	(43)
Capital grant income	5	(9,046)	(7,354)
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(9,485)</u>	<u>9,294</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		-	1,253
Capital grants receipts		14,551	5,188
Disposal of non-current asset investments		85	779
Investment income		437	347
Payments made to acquire fixed assets		(29,664)	(17,617)
New non-current asset investments		(1,204)	(1,121)
<b>Total cash flow from investing activities</b>		<u>(15,795)</u>	<u>(11,171)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(238)	(266)
Interest element of finance lease		(240)	(151)
Endowment cash received		1,015	303
New unsecured loans		-	1,453
Repayments of amounts borrowed		(1,628)	(1,612)
Capital element of finance lease and service concession payments		(292)	(378)
<b>Total cash flow from financing activity</b>		<u>(1,383)</u>	<u>(651)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(26,663)</u>	<u>(2,528)</u>
Cash and cash equivalents at beginning of the year	19	33,984	36,512
Cash and cash equivalents at end of the year	19	7,321	33,984
<b>Movement in cash</b>		<u>(26,663)</u>	<u>(2,528)</u>

The notes on pages 26 to 48 form part of these accounts.

CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED 31ST JULY, 2016

	2016	2015
	£'000	Restated £'000
<b>1. Funding Council grants</b>		
Recurrent grant	17,528	18,233
Special initiatives	5,160	4,771
	22,688	23,004
Grants are receivable from the Higher Education Funding Council for England. In addition to the above, grants were received for capital purposes of £14,551,000 (2015 - £5,128,000).		
<b>2. Tuition fees and education contracts</b>		
Long course fees	35,598	35,752
Professional development courses	18,923	20,396
Teaching contract	15,181	13,918
	69,702	70,066
<b>3. Other income</b>		
Residences and conference centres	10,503	10,372
Rents from tenant organisations	1,273	1,372
Other	23,578	18,984
	35,354	30,728
Other income includes an exceptional £2,000,000 (2015 - £2,000,000). This reflects the second contractual payment relating to a reorganisation of the use of the airport in 2014/15. A third payment totalling £1,000,000 is due to be paid in July 2017.		
<b>4. Investment income</b>		
Investment income from endowments ( <i>Note 18</i> )	94	69
Other investment income	276	344
	370	413
<b>5. Donations and endowments</b>		
New endowments ( <i>Note 18</i> )	1,015	303
Donations without restrictions	8,031	7,051
	9,046	7,354

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
*(continued...)*

		<b>CONSOLIDATED</b>	
		<b>2016</b>	<b>2015</b>
			<b>Restated</b>
		£'000	£'000
<b>6.</b>	<b>Staff</b>		
	a. Staff costs		
	Wages and salaries	69,074	64,230
	Social security costs	6,199	5,486
	Other pension costs	8,678	8,414
		83,951	78,130
	Exceptional staff restructuring costs	153	1,957
		84,104	80,087
	Emoluments of the Vice-Chancellor		
	Gross salary	319	314
	Performance related pay	61	47
	Pension contributions	0	0
		380	361
	b. The average number of employees during the year, expressed as full-time equivalents, was as follows:-	Number	Number
	Academic	413	419
	Research	223	239
	Technical	168	173
	Other	829	807
		1,633	1,638
	c. Remuneration of other higher paid staff, excluding employer's pension contributions, were as follows:-		
	£100,000 - £109,999	11	11
	£110,000 - £119,999	13	10
	£120,000 - £129,999	5	3
	£130,000 - £139,999	-	2
	£140,000 - £149,999	1	3
	£150,000 - £159,999	3	3
	£160,000 - £169,999	2	-
	£170,000 - £179,999	1	1
	£260,000 - £269,999	1	-

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
*(continued...)*

6. **Staff** *(continued...)*

**Key Management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University.

	2016	2015
	£'000	Restated £'000
Key management personnel compensation	2,105	2,013

**Council Members**

The University's council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

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, £15,425 (2015 £17,927).

The total expenses paid to or on behalf of five council members was £1,089 (2015 £1,433 to four council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

	CONSOLIDATED	
	2016	2015
	£'000	Restated £'000
7. <b>Other operating amounts charged include:-</b>		
Equipment expensed	6,407	3,207
Auditor's remuneration:-		
- external audit	124	121
- other services including tax	72	51
Council members' expenses	1	1

Included in the above are audit fees in respect of the University only of £74,000 (2015 - £74,000)

8. **Interest and other finance costs**

Loan interest	206	240
Finance leases	240	151
Exchange differences	864	(423)
Net charge on Pension scheme (Note 30)	2,050	1,986
	3,360	1,954

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
*(continued...)*

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	£'000	£'000
<b>9. Taxation</b>		
Recognised in the statement of comprehensive income:-		
Current tax expense	929	89
Adjustment in respect of Prior years	16	-
	945	89
<b>Total tax expense</b>		

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

Surplus on ordinary activities before taxation	1	(2,559)
Tax on surplus on ordinary activities multiplied by the lower rate of corporation tax in the UK of 23.67% (2015 – 23.67%)	1	-
Factors affecting charge:		
University surplus exempt from corporation tax	-	-
RDEC tax charge	929	-
Other permanent differences	15	89
	945	89
Corporation tax charged in the year		

	<b>Land &amp; Buildings</b>		<b>Equipment</b>	<b>Fixtures, Plant &amp; Machinery</b>	<b>Total</b>
	Freehold	Leasehold	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000
<b>10. Fixed assets</b>					
<i>a. Consolidated - restated</i>					
Cost/valuation					
At beginning of year	146,108	7,437	39,348	80,583	273,476
Additions	18,114	-	6,553	5,544	30,211
Surplus on revaluation	10,624	-	-	-	10,624
Disposals	-	-	(2,298)	(51)	(2,349)
	174,846	7,437	43,603	86,076	311,962
At end of year					
Consisting of valuation as at:					
31 July 2016	53,370	-	-	-	53,370
Cost	121,476	7,437	43,603	86,076	258,592
	174,846	7,437	43,603	86,076	311,962
Depreciation - restated					
At beginning of year	22,507	4,659	32,605	49,792	109,563
Charge for year	2,005	230	2,655	5,464	10,354
Disposals	-	-	(2,273)	(51)	(2,324)
	24,512	4,889	32,987	55,205	117,593
At end of year					
Net book amount					
At end of year	150,334	2,548	10,616	30,871	194,369
At beginning of year - restated	123,601	2,778	6,743	30,791	163,913

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
*(continued...)*

	Land & Buildings			Fixtures, Plant & Machinery	Total
	Freehold	Leasehold	Equipment		
	£'000	£'000	£'000		
<b>10. Fixed assets</b> <i>(continued ...)</i>					
<i>b. University</i>					
Cost/valuation					
At beginning of year - restated	140,059	7,437	38,777	73,481	259,754
Additions	18,114	-	6,539	5,389	30,042
Surplus on revaluation	10,624	-	-	-	10,624
Disposals	-	-	(2,290)	(16)	(2,306)
	<u>168,797</u>	<u>7,437</u>	<u>43,026</u>	<u>78,854</u>	<u>298,114</u>
Consisting of valuation as at:					
31 July 2016	53,370	-	-	-	53,370
Cost	<u>115,427</u>	<u>7,437</u>	<u>43,026</u>	<u>78,854</u>	<u>244,744</u>
Depreciation					
At beginning of year - restated	20,447	4,659	32,248	44,909	102,263
Charge for year	1,872	230	2,591	4,893	9,586
Disposals	-	-	(2,265)	(16)	(2,281)
At end of year	<u>22,319</u>	<u>4,889</u>	<u>32,574</u>	<u>49,786</u>	<u>109,568</u>
Net book amount					
At end of year	<u>146,478</u>	<u>2,548</u>	<u>10,452</u>	<u>29,068</u>	<u>188,546</u>
At beginning of year restated	<u>119,612</u>	<u>2,778</u>	<u>6,529</u>	<u>28,572</u>	<u>157,491</u>

At 31 July, 2016, freehold land and buildings included £53,370,000 (2015 £42,746,000) in respect of freehold land at valuation and is not depreciated.

The net book amounts of tangible fixed assets include £2,548,000 (2015 - £2,778,000) in respect of assets held under finance leases in the consolidated and University accounts respectively. The related depreciation charge for the year was £230,000 (2015 - £230,000). At 31st July 2016, buildings, fixtures and plant included £21,521,000 (2015 - £7,299,000) in respect of assets under construction in the consolidated accounts. In the University assets under construction amounted to £21,521,000 (2015 - £7,299,000).

**CRANFIELD UNIVERSITY**  
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*(continued...)*

		<b>CONSOLIDATED AND UNIVERSITY</b>	
		<b>2016</b>	<b>2015</b>
		£'000	£'000
<b>11. Investments</b>			
	Listed securities at beginning of year	2,289	1,947
	Additions	1,204	1,121
	Disposals	(85)	(779)
	At end of year	3,408	2,289
		<b>UNIVERSITY</b>	
		<b>2016</b>	<b>2015</b>
		£'000	£'000
<b>12. Investment in subsidiaries</b>			
	At beginning of year	5,186	5,186
	Additions	-	-
	Disposals	-	-
	Impairment	-	-
	At end of year	5,186	5,186

At 31st July, 2016 the group's principal subsidiaries, all of which were wholly owned and registered in England and Wales, comprised:-

<b>COMPANY</b>	<b>NATURE OF BUSINESS</b>
<b>Cranfield Ventures Limited</b>	Holding company
Silsoe Ventures Limited	Dormant
Novaswift Ventures Limited	Dormant
Cranfield Diagnostics Limited	Dormant
Cranfield Enterprises Limited	Dormant
Cranfield Medical Limited	Dormant
CIT Holdings Limited	Holding company
Cranfield Aerospace Solutions 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 residential support services
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

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	CONSOLIDATED		UNIVERSITY	
	2016	2015	2016	2015
	£'000	Restated £'000	£'000	Restated £'000
<b>13. Debtors</b>				
Work in progress	17,735	12,580	17,252	11,870
Other trade debtors	20,396	17,824	16,781	13,590
Prepayments and accrued income	3,321	3,256	2,438	2,260
Other taxes	172	9	170	-
Amounts receivable from subsidiary undertakings	-	-	2,737	3,099
	41,624	33,669	39,378	30,819

Included in amounts receivable from subsidiary undertakings is £559,000 (2015 - £914,000) which is recoverable after more than one year.

Work in progress comprises:-

Costs incurred to date				
less foreseeable losses	68,341	61,850	66,260	57,120
Less: progress payments	(50,606)	(49,270)	(49,008)	(45,250)
	17,735	12,580	17,252	11,870

**14. Creditors: amounts falling due within one year**

Secured loans	229	211	229	211
Unsecured loans	1,715	1,397	1,715	1,397
Finance lease obligations	464	378	464	378
Amounts owed to subsidiary undertakings	-	-	334	348
Trade creditors	18,034	17,860	15,203	14,802
Social security costs and other taxation payable	2,162	3,276	1,790	2,674
Accruals and deferred income	42,803	37,856	40,193	35,547
	65,407	60,978	59,928	55,357

**15. Creditors: amounts falling due after more than one year**

Finance lease obligations	142	520	142	520
Secured loans	1,406	1,635	1,406	1,635
Unsecured loans	11,774	12,645	11,774	12,645
	13,322	14,800	13,322	14,800



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**NOTES TO THE ACCOUNTS**  
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*(continued...)*

	CONSOLIDATED		UNIVERSITY	
	2016	2015 Restated	2016	2015 Restated
	£'000	£'000	£'000	£'000
15. Creditors: amounts falling due after more than one year <i>(continued ...)</i>				
<i>Analysis of secured and unsecured loans</i>				
due within one year or on demand (note 14)	1,944	1,608	1,944	1,608
Between one and two years	1,700	1,869	1,700	1,869
Between two and five years	4,198	4,434	4,198	4,434
Five years or more	7,282	7,977	7,282	7,977
<b>Due after more than one year</b>	<b>13,180</b>	<b>14,280</b>	<b>13,180</b>	<b>14,280</b>
<b>Total secured and unsecured loans</b>	<b>15,124</b>	<b>15,888</b>	<b>15,124</b>	<b>15,888</b>
<i>The net finance lease obligations</i>				
Due within one year or on demand (note 14)	464	378	464	378
Between one and two years	33	378	33	378
Between two and five years	98	142	98	142
Five years or more	11	-	11	-
<b>Due after more than one year</b>	<b>142</b>	<b>520</b>	<b>142</b>	<b>520</b>
<b>Total net finance lease obligations</b>	<b>606</b>	<b>898</b>	<b>606</b>	<b>898</b>

The Group had the following bank loans at 31st July, 2016:-

	Interest Rate	Loan Type	Security	Final Repayment	Loan Outstanding £'000
1.	Euro base + 0.18%	Floating(Euros)	None	15th August 2027	5,304
2.	Sterling base + 0.18%	Floating	None	31st July 2027	7,259
3.	8.71%	Fixed	Land and buildings	14th March 2022	1,635
4.	Interest Free	Salix Fixed	None	1st September 2016	19
5.	Interest Free	Salix Fixed	None	1st March 2017	60
6.	Interest Free	Salix Fixed	None	1st September 2017	70
7.	Interest Free	Salix Fund	None	1 <sup>st</sup> September 2018	152
8.	Interest Free	Salix Fund	None	1 <sup>st</sup> September 2018	625
					<b>15,124</b>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
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*(continued...)*

16. **Pension provisions**

<b>Consolidated</b>	<b>Obligation to fund deficit on USS pension</b>	<b>Defined Benefit Obligations (Note 22)</b>	<b>Total Pensions Provisions</b>
	£'000	£'000	£'000
At 1 August 2015 restated	14,121	49,617	63,738
Utilised in year	(265)	(1,643)	(1,908)
Additions	1,052	9,639	10,691
<b>At 31 July 2016</b>	<b>14,908</b>	<b>57,613</b>	<b>72,521</b>

<b>University</b>	<b>Obligation to fund deficit on USS pension</b>	<b>Defined Benefit Obligations (Note 22)</b>	<b>Total Pensions Provisions</b>
	£'000	£'000	£'000
At 1 August 2015 restated	14,073	49,617	63,690
Utilised in year	(265)	(1,643)	(1,908)
Additions	1,061	9,639	10,700
<b>At 31 July 2016</b>	<b>14,869</b>	<b>57,613</b>	<b>72,482</b>

**Pension enhancement**

The assumptions for calculating the provision for pension enhancements on termination under FRS 102 are as follows:

	<b>Consolidated</b>
Discount rate	2.4
Inflation	2.9

**USS deficit**

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
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	Staff restructuring	Other	Total
	£'000	£'000	£'000
<b>17. Provisions for liabilities and charges</b>			
<i>a. Consolidated</i>			
At beginning of year	670	254	924
Utilised	(449)	(105)	(554)
Charged to income and expenditure account	(148)	(52)	(200)
At end of year	73	97	170
<i>b. University</i>			
At beginning of year	670	250	920
Utilised	(449)	(105)	(554)
Charged to income and expenditure account	(148)	(145)	(293)
At end of year	73	-	73

Staff restructuring will be utilised during the next financial year and relates to the re-organisation of activities within the School of Water, Energy and Environment & Agrifood and School of Aerospace, Transport & Manufacturing. Other relates to a warranty provision.

CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
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18. Endowment reserves

	Expendable endowments	2016 Total	2015 Total
	£'000	£'000	£'000
<b>Balances at 1 August 2015</b>			
Capital	6,114	6,114	6,370
Accumulated income	73	73	841
	<hr/>	<hr/>	<hr/>
New endowments	6,187	6,187	7,211
Investment income	1,015	1,015	303
Expenditure	94	94	69
(Decrease) / increase in market value of investments	(1,404)	(1,404)	(1,473)
	(3)	(3)	77
	<hr/>	<hr/>	<hr/>
<b>Total endowment comprehensive income for the year</b>	(298)	(298)	(1,024)
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2016</b>	5,889	5,889	6,187
	<hr/>	<hr/>	<hr/>
<b>Represented by:</b>			
Capital	5,721	5,721	6,114
Accumulated income	168	168	73
	<hr/>	<hr/>	<hr/>
	5,889	5,889	6,187
	<hr/>	<hr/>	<hr/>
<b>Analysis by type of purpose:</b>			
Lectureships	960	960	994
Scholarships and bursaries	741	741	646
Research support	745	745	223
Prize funds	171	171	175
General	3,272	3,272	4,149
	<hr/>	<hr/>	<hr/>
	5,889	5,889	6,187
	<hr/>	<hr/>	<hr/>
<b>Analysis by asset</b>			
Fixed assets	339	339	339
Current and non-current asset investments	2,855	2,855	2,596
Cash & cash equivalents	2,695	2,695	3,252
	<hr/>	<hr/>	<hr/>
	5,889	5,889	6,187
	<hr/>	<hr/>	<hr/>

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2016  
(continued...)

19. Cash and cash equivalents

	Notes	At 1st August 2015 £'000	Cash Flows £'000	31st July 2016 £'000
Consolidated				
Cash and cash equivalents		33,984	(26,663)	7,321
Bank overdraft	14	-	-	-
		<u>33,984</u>	<u>(26,663)</u>	<u>7,321</u>

	CONSOLIDATED		UNIVERSITY	
	2016	2015 Restated	2016	2015 Restated
	£'000	£'000	£'000	£'000
20. Lease obligations				

Non-cancellable operating lease rentals are payable as follows:

Land and buildings

Within one year	264	264	264	264
Between two and five years	1,002	1,002	1,002	1,002
In more than five years	471	735	471	735
	<u>1,737</u>	<u>2,001</u>	<u>1,737</u>	<u>2,001</u>

Other

Within one year	65	65	-	-
Between two and five years	53	36	-	-
In more than five years	-	-	-	-
	<u>118</u>	<u>101</u>	<u>-</u>	<u>-</u>

During the year £284,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015 £290,000).

21. Capital and other commitments

a. Commitments contracted but not provided in the accounts	<u>18,860</u>	<u>24,066</u>	<u>18,711</u>	<u>24,066</u>
b. Commitments authorised but not Contracted for	<u>11,077</u>	<u>28,265</u>	<u>11,077</u>	<u>28,265</u>

CRANFIELD UNIVERSITY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2016

(continued...)

22. 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.

Between October 2011 and March 2016 USS provided two schemes, the first for existing members of staff at 30<sup>th</sup> September 2011 who were existing members of USS, this scheme had 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) were provided on a career re-valued benefit basis. From 1 April 2016 one revised career re-valued benefit scheme has been introduced for all academic and related employees.

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.

**USS**

The latest actuarial valuation of the scheme was as at 31st March, 2014, which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation employer contributions increased to 18% from 1 April 2016. 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 3.3% per annum and salary increases 4.0% per annum. The institution contribution rate required for future service benefits alone at the date of valuation was 18% of salaries. The next formal actuarial valuation is due as at 31st March, 2017 when the rates will be reviewed. The results of this actuarial valuation should be known by late 2018. Deficits or surpluses that arise from this valuation may impact on the University's future contribution commitment.

Following the adoption of FRS 102 the University has recognised a provision on the balance sheet representing the future expected contributions payable. Each year a proportion of the employer contributions are allocated to the deficit which reduces the balance of the provision. Where actual contributions differ from expectations the adjustment to arrive at the correct closing provision is charged to staff costs in the year. Ongoing scheme costs are charged through operating staff costs.

		CONSOLIDATED	
		2016	2015
			Restated
		£'000	£'000
<b>USS pension provision</b>			
At beginning of the year	16	14,121	7,213
Interest payable		339	252
Contributions paid against deficit		(604)	(1,115)
Charged in the year		1,052	7,771
		<hr/>	<hr/>
At end of the year		14,908	14,121
		<hr/>	<hr/>

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**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2016**  
*(continued...)*

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

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, 2014
Investment returns per annum	3.3%
Salary scale increases per annum	4.0%
Market value of assets at date of last valuation	£49.0 billion
Proportion of members' accrued benefits covered by the actuarial value of the assets (technical provisions basis)	89%
Proportion of members' accrued benefits covered by the actuarial value of the assets (historic gilts basis)	72%

**LGPS**

The rate of the University's employer's contributions for LGPS is determined by the actuaries and increased to 18.9% of pensionable salaries with effect from 1st April 2014. 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.

The figures disclosed below estimated by the actuary as at 31st July, 2016 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, 2016 are as follows:-**

	2016 %	2015 %	2014 %
Salary scale increases per annum	2.9	3.3	3.3
Pension increases per annum	1.9	2.4	2.5
Discount rate per annum	2.4	3.5	3.9
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

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22. Pensions (continued ...)

LGPS (continued ...)

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

	2016	2015
Retiring today		
Males	22.4	22.4
Females	24.3	24.3
Retiring in 25 years		
Males	24.4	24.4
Females	26.8	26.8

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

	2016		2015		2014	
	Long term return expected	Assets	Long term return expected	Assets	Long term return expected	Assets
	%	£'000	%	£'000	%	£'000
Equities	2.4	60,735	3.5	47,570	6.6	41,471
Property	2.4	7,786	3.5	7,695	4.7	5,846
Bonds	2.4	7,008	3.5	11,892	3.7	11,693
Cash	2.4	2,336	3.5	2,798	3.6	1,949
	2.4	77,865	3.5	69,955	5.5	60,959

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  
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(continued...)

22. Pensions (continued ...)

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

	2016 £'000	2015 £'000
Market value of assets	77,865	69,955
Present value of liabilities	(135,478)	(119,572)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (note 16)</b>	<b>(57,613)</b>	<b>(49,617)</b>
Current service cost	2,430	2,222
Loss due to curtailments	114	65
Past service cost	-	-
<b>Total operating charge</b>	<b>2,544</b>	<b>2,287</b>
<b>Analysis of the amount charged to interest payable</b>		
Interest on pension scheme liabilities	4,169	4,302
Expected return on pension scheme assets	(2,459)	(3,747)
<b>Net charge to other finance income</b>	<b>1,710</b>	<b>555</b>
<b>Total income and expenditure account charge</b>	<b>4,254</b>	<b>2,842</b>
<b>Analysis of other comprehensive income</b>		
Gain on assets	4,846	1,159
Experience loss on liabilities	1,676	887
Loss on liabilities	(14,337)	(4,298)
<b>Total other comprehensive income before deduction for tax</b>	<b>(7,815)</b>	<b>(2,252)</b>
<b>Cumulative actuarial loss recognised as other comprehensive income for LGPS Scheme</b>		
Cumulative actuarial losses recognised at the start of the year	3,264	-
Cumulative actuarial losses recognised at the end of the year	11,079	3,264
<b>Analysis of movement in deficit during the year:</b>		
Deficit in scheme at beginning of the year		(46,187)
Movement in year:	(49,617)	
Current service cost	(2,430)	(2,222)
Contributions	4,073	3,890
Past service cost	(114)	(65)
Curtailment cost	-	-
Other finance charge	(1,710)	(555)
Actuarial loss	(7,815)	(4,478)
<b>Deficit in scheme at end of the year</b>	<b>(57,613)</b>	<b>(49,617)</b>

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*(continued...)*

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

	2016	2015
	£'000	Restated £'000
<b>Analysis of movements in the present value of the scheme liabilities:-</b>		
Present value at beginning of year	119,572	111,146
Current service cost (net of member contributions)	2,430	2,222
Interest cost	4,169	4,302
Contributions by members (including notional contributions)	567	569
Actuarial losses	12,661	5,637
Losses on curtailments	114	65
Actual benefits paid	(4,035)	(4,369)
	135,478	119,572
<b>Analysis of movement in the fair value of the scheme assets:-</b>		
Fair value at beginning of year	69,955	64,959
Expected return on assets	2,459	3,747
Contributions by members	567	569
Contributions by the employer	4,073	3,890
Actuarial gains/(losses)	4,846	1,159
Actual benefits paid	(4,035)	(4,369)
	77,865	69,955
<b>Actual return on Scheme assets</b>	6.8%	6.8%
Expected return on Scheme assets	10.4%	7.5%

Estimated contributions for LGPS in the Financial year 2017 is £4,004,000.

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.

	£'000	£'000
23. <b>Access funds</b>		
Funding Council grants	-	16
Disbursed to students	-	(7)
	9	9

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.

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**24. Related party transactions**

The following exemptions available under FRS 102 have been applied to these financial statements:

- Disclosures in respect of transactions with wholly owned subsidiaries

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.

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**25. Transition to FRS102 and the 2015 SORP**

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2015. In preparing its FRS 102, SORP based Statement of Financial Position; the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Consolidated	01 August 2014			31 July 2015		
	2007 SORP	Effect of transition to 2015 SORP	2015 SORP	2007 SORP	Effect of transition to 2015 SORP	2015 SORP
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>						
Intangible assets	15	-	15	-	-	-
Fixed Assets	157,104	(1,735)	155,369	165,543	(1,630)	163,913
Investments	-	1,947	1,947	1,121	1,168	2,289
Investment in subsidiaries	-	-	-	-	-	-
	<u>157,119</u>	<u>212</u>	<u>157,331</u>	<u>166,664</u>	<u>(462)</u>	<u>166,202</u>
<b>Endowment assets</b>	<u>5,783</u>	<u>(5,783)</u>	<u>-</u>	<u>4,759</u>	<u>(4,759)</u>	<u>-</u>
<b>Current assets</b>						
Stock	249	-	249	267	-	267
Trade and other receivables	33,399	(2,305)	31,094	35,591	(1,922)	33,669
Cash and cash equivalents	33,015	3,497	36,512	30,732	3,252	33,984
	<u>66,663</u>	<u>1,192</u>	<u>67,855</u>	<u>66,590</u>	<u>1,330</u>	<u>67,920</u>
Less: Creditors: amounts falling due within one year	<u>(50,962)</u>	<u>(5,477)</u>	<u>(56,439)</u>	<u>(54,053)</u>	<u>(6,925)</u>	<u>(60,978)</u>
<b>Net current (liabilities)/assets</b>	<u>15,701</u>	<u>(4,285)</u>	<u>11,416</u>	<u>12,537</u>	<u>(5,595)</u>	<u>6,942</u>
<b>Total assets less current liabilities</b>	178,603	(9,856)	168,747	183,960	(10,816)	173,144
Creditors: amounts falling due after more than one year	(15,421)	(690)	(16,111)	(14,455)	(345)	(14,800)
<b>Provisions</b>						
Provisions for pension liabilities	(46,187)	(7,340)	(53,527)	(49,617)	(14,121)	(63,738)
Other provision	(527)	-	(527)	(924)	-	(924)
<b>Total net assets</b>	<u>116,468</u>	<u>(17,886)</u>	<u>98,582</u>	<u>118,964</u>	<u>(25,282)</u>	<u>93,682</u>
<b>Deferred capital grants</b>	48,333	(48,333)	-	52,764	(52,764)	-
<b>Restricted Reserves</b>						
Income and expenditure reserve - endowment reserve	7,211	-	7,211	6,187	-	6,187
<b>Unrestricted Reserves</b>						
Income and expenditure reserve - unrestricted	17,417	30,447	47,864	17,606	27,482	45,088
Revaluation reserve	43,507	-	43,507	42,407	-	42,407
	<u>60,924</u>	<u>30,447</u>	<u>91,371</u>	<u>60,013</u>	<u>27,482</u>	<u>87,495</u>
<b>Total Reserves</b>	<u>116,468</u>	<u>(17,886)</u>	<u>98,582</u>	<u>118,964</u>	<u>(25,282)</u>	<u>93,682</u>

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*(continued...)*

25. **Transition to FRS102 and the 2015 SORP** *(continued...)*

Reconciliation between 2007 SORP and 2015 SORP

	Group		University	
	2014 £'000	2015 £'000	2014 £'000	2015 £'000
Fixed Assets				
Remove impaired assets	(5,082)	(5,082)	(5,082)	(5,082)
Transfer endowment land to fixed assets	339	339	339	339
Finance Lease asset addition	3,008	3,113	3,008	3,113
	<u>(1,735)</u>	<u>(1,630)</u>	<u>(1,735)</u>	<u>(1,630)</u>
Investments				
Transfer endowment asset investments	1,947	1,168	1,947	1,168
Investments in Subsidiaries				
Transfer endowment asset investments	0	0	1,428	1,428
Endowment Assets				
Transfer endowment assets to cash	(3,497)	(3,252)	(3,497)	(3,252)
Transfer endowment assets to fixed assets	(339)	(339)	(339)	(339)
Transfer endowment assets to investments	(1,947)	(1,168)	(1,947)	(1,168)
Transfer endowment assets to investments in subsidiaries	0	0	(1,428)	(1,428)
	<u>(5,783)</u>	<u>(4,759)</u>	<u>(7,211)</u>	<u>(6,187)</u>
Trade & Other Receivables				
Removal of pre paid rental	(2,305)	(1,922)	(1,637)	(1,922)
Cash and Cash Equivalents				
Transfer from endowment assets	3,497	3,252	3,497	3,252
Creditors falling due within one year				
Finance lease addition due within one year	(345)	(345)	(345)	(345)
Deferred Capital Grant additions transferred back to IIA	(3,029)	(4,626)	(3,029)	(4,626)
Holiday Accrual	(2,103)	(1,954)	(2,029)	(1,779)
	<u>(5,477)</u>	<u>(6,925)</u>	<u>(5,403)</u>	<u>(6,750)</u>
Creditors falling due after more than one year				
Finance lease addition due in more than one year	(690)	(345)	(690)	(345)
Provision for Pension Liabilities				
USS Pension Deficit	(7,340)	(14,121)	(7,187)	(14,073)
Deferred Capital Grants				
Deferred Capital Grant additions transferred back to IIA	(3,029)	(4,626)	(3,029)	(4,626)
Deferred Capital grant transferred to Income & Expenditure Reserve	(45,304)	(48,138)	(45,304)	(48,138)
	<u>(48,333)</u>	<u>(52,764)</u>	<u>(48,333)</u>	<u>(52,764)</u>
Income & Expenditure Reserve				
Remove impaired asset	(5,082)	(5,082)	(5,082)	(5,082)
Remove lease concession charge	(332)	501	336	501
Remove holiday accrual	(2,103)	(1,954)	(2,029)	(1,779)
Remove USS Pension liability	(7,340)	(14,121)	(7,187)	(14,073)
Add deferred capital grants removed	45,304	48,138	45,304	48,138
	<u>30,447</u>	<u>27,482</u>	<u>31,342</u>	<u>27,705</u>

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(continued...)

25. **Transition to FRS102 and the 2015 SORP** (continued...)

<b>University</b>	2007 SORP £'000	01 August 2014 Effect of transition to 2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	31 July 2015 Effect of transition to 2015 SORP £'000	2015 SORP £'000
<b>Non-current assets</b>						
Intangible assets	-	-	-	-	-	-
Fixed Assets	150,161	(1,735)	148,426	159,121	(1,630)	157,491
Investments	-	1,947	1,947	1,121	1,168	2,289
Investment in subsidiaries	3,758	1,428	5,186	3,758	1,428	5,186
	<u>153,919</u>	<u>1,640</u>	<u>155,559</u>	<u>164,000</u>	<u>966</u>	<u>164,966</u>
<b>Endowment assets</b>	<u>7,211</u>	<u>(7,211)</u>	<u>-</u>	<u>6,187</u>	<u>(6,187)</u>	<u>-</u>
<b>Current assets</b>						
Stock	188	-	188	202	-	202
Trade and other receivables	31,744	(1,637)	30,107	32,741	(1,922)	30,819
Cash and cash equivalents	30,288	3,497	33,785	28,048	3,252	31,300
	<u>66,220</u>	<u>1,860</u>	<u>64,080</u>	<u>60,991</u>	<u>1,330</u>	<u>62,321</u>
Less: Creditors: amounts falling due within one year	<u>(45,886)</u>	<u>(5,403)</u>	<u>(51,289)</u>	<u>(48,607)</u>	<u>(6,750)</u>	<u>(55,357)</u>
<b>Net current (liabilities)/assets</b>	<u>16,334</u>	<u>(3,543)</u>	<u>12,791</u>	<u>12,384</u>	<u>(5,420)</u>	<u>6,964</u>
<b>Total assets less current liabilities</b>	177,464	(9,114)	168,350	182,571	(10,641)	171,930
Creditors: amounts falling due after more than one year	(15,421)	(690)	(16,111)	(14,455)	(345)	(14,800)
<b>Provisions</b>						
Provisions for pension liabilities	(46,187)	(7,187)	(53,374)	(49,617)	(14,073)	(63,690)
Other provision	(523)	-	(523)	(920)	-	(920)
<b>Total net assets</b>	<u><u>115,333</u></u>	<u><u>(16,991)</u></u>	<u><u>98,342</u></u>	<u><u>117,579</u></u>	<u><u>(25,059)</u></u>	<u><u>92,520</u></u>
<b>Deferred capital grants</b>	48,333	(48,333)	-	52,764	(52,764)	-
<b>Restricted Reserves</b>						
Income and expenditure reserve - endowment reserve	7,211	-	7,211	6,187	-	6,187
<b>Unrestricted Reserves</b>						
Income and expenditure reserve - unrestricted	16,282	31,342	47,624	16,221	27,705	43,926
Revaluation reserve	43,507	-	43,507	42,407	-	42,407
	<u>59,789</u>	<u>31,342</u>	<u>91,131</u>	<u>58,628</u>	<u>27,705</u>	<u>86,333</u>
<b>Total Reserves</b>	<u><u>115,333</u></u>	<u><u>(16,991)</u></u>	<u><u>98,342</u></u>	<u><u>117,579</u></u>	<u><u>(25,059)</u></u>	<u><u>92,520</u></u>

CRANFIELD UNIVERSITY  
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(continued...)

25. Transition to FRS102 and the 2015 SORP (continued...)

	2007 SORP £'000	STRGL Items £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
<b>Income</b>				
Tuition fees and education contracts	70,066	-	-	70,066
Funding body grants	26,193	-	(3,189)	23,004
Research grants and contracts	36,424	-	-	36,424
Other income (adjusted to exclude income from joint ventures)	31,756	-	(1,028)	30,728
Investment income	413	-	-	413
<b>Total income before donations and endowments</b>	<u>164,852</u>	<u>-</u>	<u>(4,217)</u>	<u>160,635</u>
Donations and endowments	-	-	7,354	7,354
<b>Total income</b>	<u><u>164,852</u></u>	<u><u>-</u></u>	<u><u>3,137</u></u>	<u><u>167,989</u></u>
<b>Expenditure</b>				
Staff costs	81,479	-	(1,392)	80,087
USS pension charge	-	-	7,771	7,771
Other operating expenses	70,603	-	612	71,215
Depreciation	9,746	-	(105)	9,641
Interest and other finance costs	815	-	1,139	1,954
<b>Total expenditure</b>	<u>162,643</u>	<u>-</u>	<u>8,025</u>	<u>170,668</u>
Gain/(loss) on disposal of fixed assets	43	-	-	43
Gain/(loss) on investments	-	-	77	77
<b>Deficit before tax</b>	<u>2,252</u>	<u>-</u>	<u>(4,811)</u>	<u>(2,559)</u>
Taxation	(89)	-	-	(89)
<b>Deficit after tax</b>	<u>2,163</u>	<u>-</u>	<u>(4,811)</u>	<u>(2,648)</u>
Transfer from accumulated income within endowments	1,404	-	(1,404)	-
<b>Deficit for the year</b>	<u>3,567</u>	<u>-</u>	<u>(6,215)</u>	<u>(2,648)</u>
Unrealised surplus on revaluation of land and buildings	-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	-	(2,252)	-	(2,252)
<b>Total comprehensive income for the year</b>	<u><u>3,567</u></u>	<u><u>(2,252)</u></u>	<u><u>(6,215)</u></u>	<u><u>(4,900)</u></u>

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*(continued...)*

25. **Transition to FRS102 and the 2015 SORP** *(continued...)*

Reconciliation between 2007 SORP and 2015 SORP

Profit for the year under 2007 SORP	3,567
Funding Body Grants	
Remove Deferred Capital Grant Released	(3,189)
Other Income	
Remove Deferred Capital Grant Released	(1,028)
Donations and Endowments	
Donations received in year	7,051
Endowments received in year	303
	<u>7,354</u>
Staff Costs	
Holiday Accrual movement	276
USS Pension movement	1,116
	<u>1,392</u>
USS Pension charge	
Contribution experience difference	(7,771)
Other operating expenses	
Adjust lease concession charge in year	(189)
Bank loan exchange gain	(423)
	<u>(612)</u>
Depreciation	
Finance Lease asset addition	105
Interest & Finance Costs	
Bank loan exchange gain	423
Finance lease interest charge	(131)
USS Pension Scheme interest charge	(1,431)
	<u>(1,139)</u>
Gain on Investments	
Gain on Endowment Investments	77
Transfer from accumulated income within Endowments	
Remove endowment transfer	(1,404)
Actuarial loss	
Actuarial loss on pension scheme	(2,252)
<b>Comprehensive loss for the year under 2015 SORP</b>	<u><b>(4,900)</b></u>