

CRANFIELD UNIVERSITY

FINANCIAL STATEMENTS

for the year ended 31st July, 2015

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**CRANFIELD UNIVERSITY**

**OPERATING AND FINANCIAL REVIEW**

**FOR THE YEAR ENDED 31ST JULY, 2015**

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

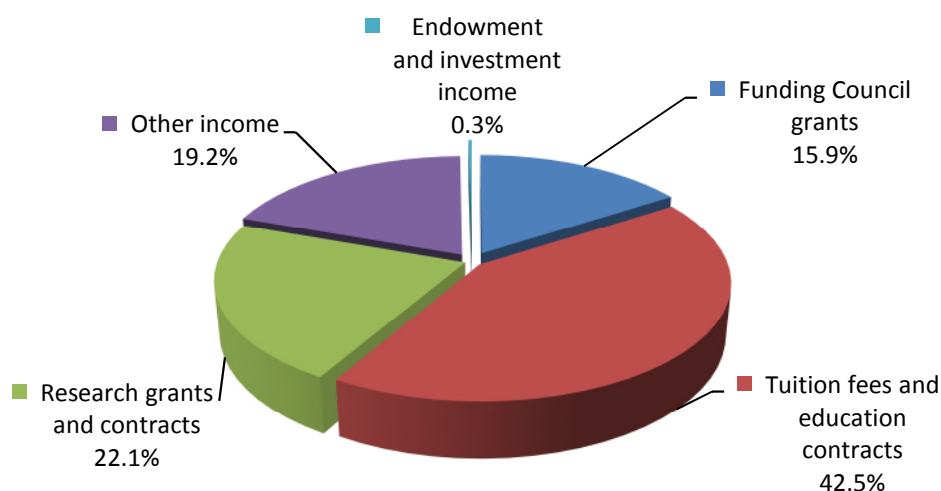
The financial statements comprise the consolidated results of the University and its subsidiaries. Subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through a limited company and include the development of activities emanating from Cranfield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

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

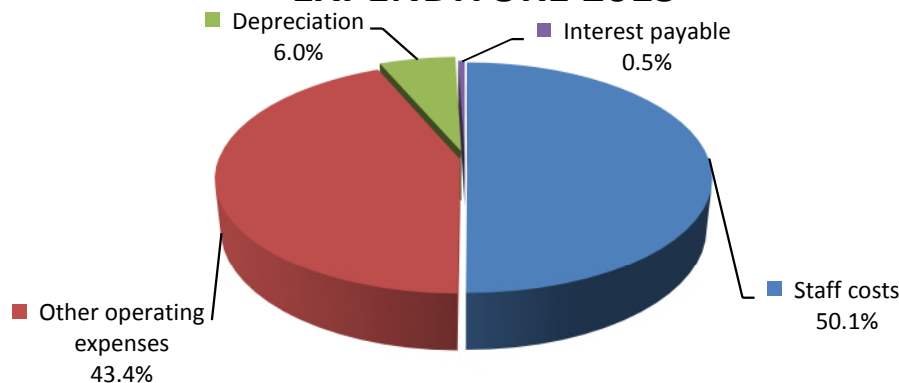
The consolidated results for the year ended 31st July, 2015 are summarised below:-

	<b>2015</b>	<b>2014</b>
	£'000	£'000
Income	164,852	157,811
Expenditure	(161,285)	(156,749)
Surplus for year retained in general reserves	<u>3,567</u>	<u>1,062</u>

**INCOME 2015**



**EXPENDITURE 2015**



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**FOR THE YEAR ENDED 31ST JULY, 2015**  
(continued...)

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

Income was 4.5% higher compared to the previous year. Although research income fell in the year, tuition fees and other income grew. The surplus for the year retained in general reserves was £3,567,000 (2014 £1,062,000).

Capital expenditure in the year amounted to £19,400,000 (2014 - £7,224,000). This starts to reflect Cranfield's success in winning a number of key infrastructure projects, including the Aircraft Integration Research Centre, the Autonomous Vehicle teaching facility and the Centre for Atmospheric Informatics and Emissions which have all started to be developed during the year and will become operational between May 2016 and December 2016. These projects are over 70% funded by external parties. In addition, the University has received the first contractual payment amounting to £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 £2,132,000. Net cash inflows from operating activities were £7,379,000 as shown in Note 26.

Consolidated reserves and endowments decreased by £1,935,000 (2014 – decrease by £2,157,000) as explained in the statement of total recognised gains and losses on page 21. Included in arriving at this figure, there is a decrease of £4,478,000 relating to the movement on the Bedfordshire County Council pension fund as shown in Note 30.

**Principal risks and uncertainties**

The University receives a smaller proportion of its income from HEFCE, which was 15.6% for the 2014/15 year, than the majority of the sector. This reflects the distinctive mission of Cranfield as a wholly postgraduate University. However, it also receives a significant amount of income from other organisations that are directly or indirectly impacted by the general state of public finances and the economy.

As with other Higher Education Institutions, Cranfield is vulnerable to decisions made by HEFCE, Research Councils and other Government bodies. In particular, Cranfield continues to rely heavily on the 'institution-specific funding' it receives from HEFCE. There does, however, remain uncertainty beyond 2016 of this funding.

The funding for postgraduates and their access to funding sources to finance their studies continues to be of a concern and innovative solutions 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 significant take up of its postgraduate loan scheme, part funded from HEFCE, with 78 students studying science, technology, engineering and mathematics during 2014/15.

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.

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**FOR THE YEAR ENDED 31ST JULY, 2015**  
(continued...)

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

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

	Cranfield Actual 2015	Cranfield Actual 2014	Mean Average HEFCE funded HEI* Forecast 2015
Income growth / (reduction)	4.5%	(2.7%)	5.2%
Surplus for year as a % of total income	2.2%	0.7%	5.0%
Staff costs before exceptional costs as a % of total income	48.2%	49.7%	52.6%
Cash flow from operating activities as a % of total income	4.5%	2.2%	8.4%
Net liquidity as number of days expenditure	69	77	122
External borrowings as a % of total income	9.8%	10.7%	26.2%
Discretionary reserves (excluding FRS17) as a % of total income	44.5%	44.9%	64.4%

\*Source: HEFCE Sept 2015

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

**Outlook for 2015/2016**

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

The budgeted surplus for 2015/16 of £4 million (excluding Airport reorganisation income) approved by Council in July 2015 should be achieved, provided the challenging growth targets for education and research income levels can be delivered.

With regard to capital expenditure, Cranfield was successful in winning three high profile investment bids with Research Councils, HEFCE and Regional Funding for the development of facilities to support autonomous vehicles and Atmospheric Informatics and Emissions to go alongside the Aerospace Integration Research Centre funded by HEFCE, Airbus and Rolls Royce that was won in 2013/2014. This gives the University a £42 million capital plan, of which over 70% is funded by external parties to be implemented over the coming two financial years.

**Pensions**

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

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**FOR THE YEAR ENDED 31ST JULY, 2015**  
(continued...)

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

As it is not possible to identify each participating institution's share of the underlying assets and liabilities of the Universities Superannuation Scheme, it is accounted for as if it is a defined contribution scheme with contributions charged as they become payable. At the last valuation as at 31st March, 2014, the assets were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings measured on a 'technical provisions' basis. It is expected that employer contributions will increase to 18% from 1 April 2016.

The share of underlying assets and liabilities of the Local Government Pension Scheme (LGPS) is able to be identified as at 31st July, 2015 and there is a net pension liability of £49,617,000 (2014 - £46,187,000) applicable to the University. Details are provided in Note 30.

**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.

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.

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(continued...)

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

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

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

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

**Employment of disabled persons**

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

**Employee involvement**

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

**Environmental issues**

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

**Carbon Management Plan**

The University has a target to reduce its Carbon emissions by 50% by 2020 compared with a 2005 baseline. From 2005 Carbon emissions were growing; however since the implementation of the plan in 2009 emissions have generally reduced and are now 22% 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
Tonnes CO2	15,700	14,900	14,400

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(continued...)

**Carbon Management Plan** (continued...)

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. During the year the University was charged with Health and Safety offences relating to an accident in February 2011 at the Shrivenham site.

**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.

**Corporate governance**

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

**Conclusion**

The University has been successful in achieving its targets towards the 5 year corporate plan. This has been evidenced by strong growth in both income and surplus during the year, along with a strong balance sheet and very low borrowings compared to the sector average.

The University has continued to succeed in winning large infrastructure funding bids as evidenced by successes with national and local funding bodies where the University has won over £19 million in capital funding during this financial year.

## CRANFIELD UNIVERSITY

### CORPORATE GOVERNANCE

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

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

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

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

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

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

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



## CRANFIELD UNIVERSITY

### CORPORATE GOVERNANCE

*(continued ...)*

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

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

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

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

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

- **Risk management** – whilst it is neither possible nor desirable to eliminate risk from the University's activities, there is an on-going process for the recognition, assessment and management of all significant opportunities and risks. This process has been in place for the year and up to the date of approval of the annual financial statements. The process is reviewed regularly by the Audit Committee on behalf of the Council and it accords with the UK Corporate Governance Code provisions relating to risk management. 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' Guide for members of Higher Education Governing Bodies, adapted to reflect the powers and responsibilities that Council derives from the University Laws. These responsibilities are to:

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

## PRIMARY RESPONSIBILITIES OF THE COUNCIL

*(continued ...)*

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

### Members of Council

The following members served throughout the period from 1<sup>st</sup> August 2014 to 8<sup>th</sup> October 2015 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	
Professor Jackie Akhavan		
Sir David Arculus		
Dr Tracey Bailey		
Professor Graham Braithwaite		from 1 April 2015
Mr Anthony Carey	Chair of Audit Committee	
Mr Paul Fairweather	Chair of Finance Committee	
Mr Iain Ferguson		from 1 June 2015
Professor Clifford Friend		
Mr Douglas Hunter		
Major General (Retd) David Jenkins		until 31 May 2015
Mrs Moni Mannings		
Mr Chikere Nkwonta		until 30 April 2015
Miss Chiara Palla		from 1 May 2015
Dr Andreas Raffel	Deputy Chair of Council	
Mrs Louise Redmond		
Dr Matthew Russell		until 31 March 2015
Dr Frances Saunders		
Mr Bill Thomas		

\*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 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and other relevant Accounting Standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of Cranfield University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows for that year.

## 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 group and University financial statements (the "financial statements") of Cranfield University for the year ended 31 July 2015 which comprises the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

As explained more fully in the Responsibilities of the Council of Cranfield University's Statement set out on page 11 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

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

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

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

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

**1. Basis of accounting and preparation**

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

**2. Basis of consolidation**

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

**3. Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are reflected in the income and expenditure account for the financial year.

**4. Recognition of income**

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

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the lives of the assets. Other income received in relation to the utilisation of the university estate is recognised in accordance with the terms of the underlying transaction.

**5. Research and development**

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



CRANFIELD UNIVERSITY

PRINCIPAL ACCOUNTING POLICIES

(continued...)

6. **Tangible fixed assets**

(1) *Land and buildings*

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

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

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

(2) *Equipment*

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

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

(3) *Depreciation*

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

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

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

**7. Leases**

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

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

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

**8. Investments**

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

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

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

**9. Stock**

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

**10. Work in progress**

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

**11. Taxation status**

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

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

**12. Deferred taxation**

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

## CRANFIELD UNIVERSITY

### PRINCIPAL ACCOUNTING POLICIES

*(continued...)*

#### 13. Maintenance of premises

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

#### 14. Pension schemes

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

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

#### 15. Provisions

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

#### 16. Going concern

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

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

**CRANFIELD UNIVERSITY**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31ST JULY, 2015**

	Notes	2015 £'000	2014 £'000
<b>Income</b>			
Funding Council grants	1	26,193	25,842
Tuition fees and education contracts	2	70,066	67,150
Research grants and contracts		36,424	36,827
Other income	3	31,756	27,565
Endowment and investment income	4	413	427
<b>Total income</b>		<u>164,852</u>	<u>157,811</u>
<b>Expenditure</b>			
Staff costs	5	81,479	78,740
Other operating expenses	6	70,603	66,523
Depreciation	7	9,746	10,366
Interest payable	8	815	1,513
<b>Total expenditure</b>		<u>162,643</u>	<u>157,142</u>
<b>Surplus after depreciation of assets and before tax</b>		2,209	669
Profit / (Loss) on disposal of assets	32	43	(139)
Surplus after depreciation and disposal of assets before tax		2,252	530
Taxation	9	(89)	(5)
Surplus after depreciation and disposal of assets and tax		2,163	525
Transfer from accumulated income within Endowments		1,404	537
<b>Surplus for the year retained within general reserves</b>		<u>3,567</u>	<u>1,062</u>

The consolidated income and expenditure account relates to continuing operations. The surplus for the year attributable to the University is £3,317,000 (2014 – £1,093,000).

The notes on pages 24 to 44 form part of these accounts.

CRANFIELD UNIVERSITY

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST JULY, 2015

		2015	2014
	Notes	£'000	£'000
Surplus for the year retained in general reserves		3,567	1,062
Transfer from accumulated income within endowments		(1,404)	(537)
		<hr/>	<hr/>
Surplus after depreciation and disposal of assets and tax		2,163	525
Actuarial loss recognised	30	(4,478)	(3,207)
Revaluation of endowment asset investments:	20	77	107
New endowments	20	303	418
		<hr/>	<hr/>
<b>Total recognised losses relating to the period</b>		<b>(1,935)</b>	<b>(2,157)</b>
		<hr/>	<hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		68,135	70,292
Total recognised losses for the year		(1,935)	(2,157)
		<hr/>	<hr/>
<b>Closing reserves and endowments</b>		<b>66,200</b>	<b>68,135</b>
		<hr/>	<hr/>

STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUS AND DEFICITS

FOR THE YEAR ENDED 31ST JULY, 2015

		2015	2014
	Notes	£'000	£'000
Surplus after depreciation and disposal of assets before tax		2,252	530
		<hr/>	<hr/>
Historical cost surplus for the year before tax		2,252	530
		<hr/>	<hr/>
Historical cost surplus for the year after tax		2,163	525
		<hr/>	<hr/>
<b>Historical cost surplus after tax retained within general reserves</b>		<b>3,567</b>	<b>1,062</b>
		<hr/>	<hr/>

The notes on pages 24 to 44 form part of these accounts.

**CRANFIELD UNIVERSITY**  
**BALANCE SHEETS AT 31ST JULY, 2015**

	Notes	CONSOLIDATED		UNIVERSITY	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Fixed assets</b>					
Intangible assets	10	-	15	-	-
Tangible assets	11	165,543	157,104	159,121	150,161
Investments	13	1,121	-	1,121	-
Investments in subsidiaries	14	-	-	3,758	3,758
<b>Total Fixed Assets</b>		<b>166,664</b>	<b>157,119</b>	<b>164,000</b>	<b>153,919</b>
<b>Endowment assets</b>	12	<b>4,759</b>	<b>5,783</b>	<b>6,187</b>	<b>7,211</b>
<b>Current assets</b>					
Stock		267	249	202	188
Debtors	15	35,591	33,399	32,741	31,744
Cash at bank and in hand		30,732	33,015	28,048	30,288
<b>Total current assets</b>		<b>66,590</b>	<b>66,663</b>	<b>60,991</b>	<b>62,220</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(54,053)</b>	<b>(50,962)</b>	<b>(48,607)</b>	<b>(45,886)</b>
<b>Net current assets</b>		<b>12,537</b>	<b>15,701</b>	<b>12,384</b>	<b>16,334</b>
<b>Total assets less current liabilities</b>		<b>183,960</b>	<b>178,603</b>	<b>182,571</b>	<b>177,464</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(14,455)</b>	<b>(15,421)</b>	<b>(14,455)</b>	<b>(15,421)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(924)</b>	<b>(527)</b>	<b>(920)</b>	<b>(523)</b>
<b>Net assets excluding FRS17 pension liability</b>		<b>168,581</b>	<b>162,655</b>	<b>167,196</b>	<b>161,520</b>
Pension liability	23	(49,617)	(46,187)	(49,617)	(46,187)
<b>Net assets including FRS17 pension liability</b>		<b>118,964</b>	<b>116,468</b>	<b>117,579</b>	<b>115,333</b>
<b>Financed by:-</b>					
<b>Deferred capital grants</b>	19	<b>52,764</b>	<b>48,333</b>	<b>52,764</b>	<b>48,333</b>
<b>Endowments</b>					
Expendable	20	6,187	7,211	6,187	7,211
<b>Reserves</b>					
Income and expenditure reserve excluding pension reserve	22	67,223	63,604	65,838	62,469
Pension reserve	26	(49,617)	(46,187)	(49,617)	(46,187)
Income and expenditure account including pension reserve		17,606	17,417	16,221	16,282
Revaluation reserve	21	42,407	43,507	42,407	43,507
		60,013	60,924	58,628	59,789
<b>Total funds</b>		<b>118,964</b>	<b>116,468</b>	<b>117,579</b>	<b>115,333</b>

The financial statements on pages 16 to 44 were approved by the Council on 8<sup>th</sup> October, 2015 and signed on its behalf by:-

C P FAIRWEATHER MA FCA  
**TREASURER**

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

I SIBBALD FCA  
**DIRECTOR OF FINANCE**

The notes on pages 24 to 44 form part of these accounts.

CRANFIELD UNIVERSITY  
STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE YEAR ENDED 31ST JULY, 2015

		2015	2014
	Notes	£'000	£'000
<b>Net cash inflow from operating activities</b>	26	7,379	3,414
<b>Returns on investments and servicing of finance</b>			
Interest received		347	586
Interest paid		(266)	(270)
Endowment income	20	69	73
<b>Net cash inflow from returns on investments and servicing of finance</b>		150	389
<b>Taxation</b>			
UK corporation tax paid		-	-
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(17,617)	(7,163)
Endowment asset investments disposed (net)		1,404	537
		(16,213)	(6,626)
Proceeds of disposal of tangible fixed assets		1,253	4
Deferred capital grants received		5,188	2,817
Endowments received		303	418
<b>Net cash outflow from capital expenditure and financial investment</b>		(9,469)	(3,387)
<b>Net cash (outflow) / inflow before use of liquid resources and financing</b>		(1,940)	416
<b>Financing</b>			
New loans/leases	27	1,453	185
Loans and finance leases repaid	27	(1,645)	(1,498)
<b>Decrease in cash in the year</b>	28	(2,132)	(897)

The notes on pages 24 to 44 form part of these accounts.

CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED 31ST JULY, 2015

	CONSOLIDATED	
	2015	2014
	£'000	£'000
<b>1. Funding Council grants</b>		
Recurrent grant	18,057	18,882
Special initiatives	4,947	3,412
Deferred capital grants released		
Buildings ( <i>Note 19</i> )	728	732
Equipment ( <i>Note 19</i> )	2,461	2,816
	26,193	25,842

Grants are receivable from the Higher Education Funding Council for England. In addition to the above, grants were received for capital purposes of £5,128,000 (2014 - £2,133,000).

<b>2. Tuition fees and education contracts</b>		
Long course fees	35,752	33,012
Professional development courses	20,396	20,768
Teaching contract	13,918	13,370
	70,066	67,150

<b>3. Other income</b>		
Residences and conference centres	10,372	9,931
Rents from tenant organisations	1,372	1,239
Deferred capital grants released		
Buildings ( <i>Note 19</i> )	307	393
Equipment ( <i>Note 19</i> )	721	718
Other	18,984	15,284
	31,756	27,565

Other income includes an exceptional £2,000,000 (2014 - £Nil). This reflects the first contractual payment relating to a reorganisation of the use of the airport during the year. A second and third payment totalling £3,000,000 are due to be paid; £2,000,000 in July 2016 and £1,000,000 in July 2017.

<b>4. Endowment and investment income</b>		
Income from restricted expendable endowments ( <i>Note 20</i> )	69	73
Interest on bank deposits	344	354
	413	427



CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED 31ST JULY, 2015  
 (continued...)

		CONSOLIDATED	
		2015	2014
		£'000	£'000
5.	<b>Staff</b>		
	a. Staff costs		
	Wages and salaries	64,506	63,741
	Social security costs	5,486	5,435
	Other pension costs	9,530	9,196
		79,522	78,372
	Exceptional staff restructuring costs	1,957	368
		81,479	78,740
	Emoluments of the Vice-Chancellor		
	Gross salary	314	310
	Performance related pay	47	-
	Pension contributions	-	-
		361	310
	b. The average number of employees during the year, expressed as full-time equivalents, was as follows:-	Number	Number
	Academic	419	409
	Research	239	216
	Technical	173	187
	Administrative and manual	807	806
		1,638	1,618
	c. Remuneration of other higher paid staff, excluding employer's pension contributions, were as follows:-		
	£100,000 - £109,999	11	12
	£110,000 - £119,999	10	4
	£120,000 - £129,999	3	5
	£130,000 - £139,999	2	4
	£140,000 - £149,999	3	2
	£150,000 - £159,999	3	1
	£160,000 - £169,999	-	4
	£170,000 - £179,999	1	-

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	£'000	£'000
<b>6. Other operating expenses</b>		
Other operating amounts charged include:-		
Equipment expensed	3,207	3,315
Unrealised exchange (gain)/loss	(423)	(402)
Auditor's remuneration:-		
- external audit	121	122
- other services including tax	51	47
Council members' expenses	2	2
	<u>          </u>	<u>          </u>
Included in the above are audit fees in respect of the University only of £74,000 (2014 - £73,000)		
Council members' expenses represent re-imburement of amounts incurred in attending University meetings. No Council member received any payment for their role as a trustee. Mr P Fairweather has provided consultancy services in the year and was paid, including expenses, £17,927 (2014 £19,296).		
<b>7. Depreciation</b>		
The depreciation charge has been funded by:-		
Deferred capital grants released	4,217	4,659
General income	5,529	5,707
	<u>9,746</u>	<u>10,366</u>
<b>8. Interest payable</b>		
Interest on long term loans repayable wholly or partly in more than five years	240	267
Finance leases	20	-
Pension finance costs (Note 30)	555	1,246
	<u>815</u>	<u>1,513</u>
<b>9. Taxation</b>		
Corporation tax charged in the year:-		
UK corporation tax at 23.67% (2014 – 23.67%)	89	-
Prior years	-	5
	<u>89</u>	<u>5</u>

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

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	£'000	£'000
9. <b>Taxation</b> <i>(continued ...)</i>		
Surplus on ordinary activities before taxation	3,567	1,067
Tax on surplus on ordinary activities multiplied by the lower rate of corporation tax in the UK of 23.67% (2014 – 23.67%)	844	253
Factors affecting charge:		
University surplus exempt from corporation tax	(785)	(258)
Other permanent differences	30	5
Prior years	-	5
Corporation tax charged in the year	89	5

There are no significant unprovided amounts in respect of deferred taxation (2014 - £Nil).

	£'000
10. <b>Intangible Assets – Consolidated</b>	
Patent Applications:	
At beginning of year	15
Amortisation	(15)
At end of year	-

	<b>Land &amp; Buildings</b>			<b>Fixtures, Plant &amp; Machinery</b>		<b>Total</b>
	Freehold	Leasehold	Equipment	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
11. <b>Tangible assets</b>						
a. <i>Consolidated</i>						
Cost/valuation						
At beginning of year	160,247	1,444	38,146	71,259		271,096
Additions	6,831	-	3,175	9,394		19,400
Disposals	(3,515)	(907)	(2,004)	(126)		(6,552)
At end of year	163,563	537	39,317	80,527		283,944
Cost	121,156	537	39,317	80,527		241,537
Valuation	42,407	-	-	-		42,407
Depreciation						
At beginning of year	35,595	1,444	31,946	45,007		113,992
Charge for year	2,252	-	2,545	4,949		9,746
Disposals	(2,415)	(907)	(1,894)	(121)		(5,337)
At end of year	35,432	537	32,597	49,835		118,401
Net book amount						
At end of year	128,131	-	6,720	30,692		165,543
At beginning of year	124,652	-	6,200	26,252		157,104

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	Land & Buildings		Equipment	Fixtures, Plant & Machinery	Total
	Freehold	Leasehold			
	£'000	£'000			
<b>11. Tangible assets</b> <i>(continued ...)</i>					
<i>b. University</i>					
Cost/valuation					
At beginning of year	154,198	1,444	37,686	64,283	257,611
Additions	6,831	-	3,020	9,257	19,108
Disposals	(3,515)	(907)	(1,960)	(115)	(6,497)
At end of year	<u>157,514</u>	<u>537</u>	<u>38,746</u>	<u>73,425</u>	<u>270,222</u>
Cost	115,107	537	38,746	73,425	227,815
Valuation	42,407	-	-	-	42,407
Depreciation					
At beginning of year	33,668	1,444	31,595	40,743	107,450
Charge for year	2,119	-	2,496	4,320	8,935
Disposals	(2,415)	(907)	(1,851)	(111)	(5,284)
At end of year	<u>33,372</u>	<u>537</u>	<u>32,240</u>	<u>44,952</u>	<u>111,101</u>
Net book amount					
At end of year	<u>124,142</u>	<u>-</u>	<u>6,506</u>	<u>28,473</u>	<u>159,121</u>
At beginning of year	<u>120,530</u>	<u>-</u>	<u>6,091</u>	<u>23,540</u>	<u>150,161</u>

The net book amounts of tangible fixed assets include £Nil (2014 - £Nil) in respect of assets held under finance leases in the consolidated and University accounts respectively. The related depreciation charge for the year was £Nil (2014 - £2,000). At 31st July 2015, buildings, fixtures and plant included £7,299,000 (2014 - £4,484,000) in respect of assets under construction in the consolidated accounts. In the University assets under construction amounted to £7,299,000 (2014 - £4,484,000). The book value of Funding Council assets are disclosed in Note 19.

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	CONSOLIDATED	UNIVERSITY
	£'000	£'000
<b>12. Endowment assets</b>		
At beginning of year	5,783	7,211
Additions	372	372
Disposals	(1,473)	(1,473)
	(1,101)	(1,101)
Revaluation	77	77
At end of year	4,759	6,187
Endowment assets:-		
Equities and other listed securities	1,126	1,126
Equities ( <i>unlisted</i> )	42	42
Investments in subsidiaries	-	1,428
Land	339	339
Cash at bank and in hand including short term deposits	3,252	3,252
	4,759	6,187

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

	CONSOLIDATED AND UNIVERSITY	
	2015	2014
	£'000	£'000
<b>13. Investments</b>		
Listed securities at beginning of year	-	-
Additions	1,121	-
At end of year	1,121	-
	UNIVERSITY	
	2015	2014
	£'000	£'000
<b>14. Investment in subsidiaries</b>		
At beginning of year	3,758	3,758
Additions	-	-
At end of year	3,758	3,758

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

At 31st July, 2015 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
Cranfield Enterprises Limited	Holds investments in spin-out companies
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 Limited	Aerospace research and development
<b>Cranfield Conference Centre Limited</b>	Provision of conference and accommodation 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

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	£'000	£'000	£'000	£'000
15. <b>Debtors</b>				
Work in progress	12,580	10,379	11,870	9,886
Trade debtors	17,824	18,389	13,590	13,104
Prepayments and accrued income	5,178	4,595	4,182	4,137
Other taxes	9	36	-	-
Amounts receivable from subsidiary undertakings	-	-	3,099	4,617
	<u>35,591</u>	<u>33,399</u>	<u>32,741</u>	<u>31,744</u>

Included in amounts receivable from subsidiary undertakings is £914,000 (2014 - £1,595,000) which is recoverable after more than one year.

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2015  
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
15. <b>Debtors</b> (continued ...)				
Work in progress comprises:-				
Costs incurred to date				
less foreseeable losses	61,850	56,012	57,120	53,615
Less: progress payments	(49,270)	(45,633)	(45,250)	(43,729)
	12,580	10,379	11,870	9,886
16. <b>Creditors: amounts falling due within one year</b>				
Bank loans	1,608	1,503	1,608	1,503
Finance lease obligations	33	-	33	-
Amounts owed to subsidiary undertakings	-	-	348	232
Trade creditors and accruals	15,906	14,249	13,023	11,573
Income and corporation tax	67	-	-	-
Social security costs and other taxes	3,209	2,051	2,674	1,597
Deposits and income in advance	33,230	33,159	30,921	30,981
	54,053	50,962	48,607	45,886
17. <b>Creditors: amounts falling due after more than one year</b>				
Bank loans	14,280	15,421	14,280	15,421
Finance lease obligations	175	-	175	-
	14,455	15,421	14,455	15,421
a. <i>Bank loans</i>				
Bank loans are repayable:-				
Within one year	1,608	1,503	1,608	1,503
Between one and two years	1,869	1,348	1,869	1,348
Between two to five years	4,434	4,339	4,434	4,339
After five years	7,977	9,734	7,977	9,734
	15,888	16,924	15,888	16,924

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2015  
(continued...)

	CONSOLIDATED		UNIVERSITY	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
17. Creditors: amounts falling due after more than one year (continued ...)				

*b. Finance leases*

The net finance lease obligations to which the University is committed are:-

Within one year	33	-	33	-
Within two to five years	133	-	133	-
After five years	42	-	42	-
	208	-	208	-

The Group had the following bank loans at 31st July, 2015:-

Interest Rate	Loan Type	Security	Final Repayment	Loan Outstanding £'000
1. Euro base + 0.18%	Floating(Euros)	None	15th August 2027	4,856
2. Sterling base + 0.18%	Floating	None	31st July 2027	7,743
3. 8.71%	Fixed	Land and buildings	14th March 2022	1,846
4. Interest Free	Salix Fixed	None	1st September 2016	58
5. Interest Free	Salix Fixed	None	1st March 2017	181
6. Interest Free	Salix Fixed	None	1st September 2017	116
7. Interest Free	Salix Fund	None	1 <sup>st</sup> September 2018	213
8. Interest Free	Salix Fund	None	1 <sup>st</sup> September 2018	875
				15,888

	Staff restructuring	Other	Total
	£'000	£'000	£'000
18. Provisions for liabilities and charges			

*a. Consolidated*

At beginning of year	83	444	527
Utilised	(80)	(29)	(109)
Charged to income and expenditure account	667	(161)	506
	670	254	924



**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	Staff restructuring	Other	Total
	£'000	£'000	£'000
<b>18. Provisions for liabilities and charges</b>			
<i>(continued ...)</i>			
b. <i>University</i>			
At beginning of year	83	440	523
Utilised	(80)	(25)	(105)
Charged to income and expenditure account	667	(165)	502
At end of year	670	250	920

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

	General	Funding Council	Total
	£'000	£'000	£'000
<b>19. Deferred capital grants</b>			
<i>Consolidated and University</i>			
At beginning of year			
Buildings	12,832	21,677	34,509
Equipment	2,719	11,105	13,824
	15,551	32,782	48,333
Cash receivable			
Buildings	-	1,203	1,203
Equipment	1,078	6,367	7,445
Released to income and expenditure account			
Buildings	(307)	(728)	(1,035)
Equipment	(721)	(2,461)	(3,182)
At end of year	15,601	37,163	52,764
Buildings	12,525	22,152	34,677
Equipment	3,076	15,011	18,087
	15,601	37,163	52,764

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

		<b>CONSOLIDATED AND UNIVERSITY</b>		
		<b>Restricted Expendable</b>	<b>2015 Total</b>	<b>2014 Total</b>
		£'000	£'000	£'000
<b>20. Endowments</b>				
	At beginning of year			
	Capital	6,370	6,370	6,427
	Accumulated income	841	841	796
		<hr/>	<hr/>	<hr/>
		7,211	7,211	7,223
	New endowments	303	303	418
	Investment income	69	69	73
	Expenditure	(1,473)	(1,473)	(610)
		<hr/>	<hr/>	<hr/>
		(1,404)	(1,404)	(537)
	Increase in market value of investments	77	77	107
		<hr/>	<hr/>	<hr/>
	At end of year	6,187	6,187	7,211
		<hr/>	<hr/>	<hr/>
	Represented by:			
	Capital	6,114	6,114	6,370
	Accumulated income	73	73	841
		<hr/>	<hr/>	<hr/>
		6,187	6,187	7,211
		<hr/>	<hr/>	<hr/>

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

		<b>CONSOLIDATED AND UNIVERSITY</b>	
		£'000	
<b>21. Revaluation reserve</b>			
	At beginning of year		43,507
	Transfer to income and expenditure reserve		(1,100)
			<hr/>
	At end of year		42,407
			<hr/>
		<b>CONSOLIDATED</b>	<b>UNIVERSITY</b>
		£'000	£'000
<b>22. Income and expenditure reserve (excluding pension reserve)</b>			
	At beginning of year	63,604	62,469
	Surplus retained for the year	3,567	3,317
	Transfer from revaluation reserve	1,100	1,100
	Transfer to pension reserve	(1,048)	(1,048)
		<hr/>	<hr/>
	At end of year	67,223	65,838
		<hr/>	<hr/>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	<b>CONSOLIDATED AND UNIVERSITY</b>	
	<b>2015</b>	<b>2014</b>
	£'000	£'000
<b>23. Pension reserve</b>		
<b>Movement in deficit during the year:</b>		
Deficit in scheme at beginning of the year	(46,187)	(43,029)
Movement in year:		
Current service cost	(2,222)	(2,104)
Contributions	3,890	3,446
Past service cost	-	-
Curtailment cost	(65)	(47)
Other finance charge	(555)	(1,246)
Actuarial loss	(4,478)	(3,207)
<b>Deficit in scheme at end of the year</b>	<b>(49,617)</b>	<b>(46,187)</b>

The pension reserve represents the University's share of the deficit in the Bedfordshire County Council Local Government Pension Scheme as detailed in Note 30 (Page 39).

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	£'000	£'000	£'000	£'000
<b>24. Lease obligations</b>				
Commitments under operating leases				
At 31st July, 2015 there were annual commitments under non-cancellable operating leases expiring as follows:-				
Land and buildings				
Within one year	-	27	-	27
Between two and five years	603	565	603	565
In more than five years	235	235	235	235
	<b>838</b>	<b>827</b>	<b>838</b>	<b>827</b>
Other				
Within one year	13	15	-	-
Between two and five years	51	51	-	-
In more than five years	-	-	-	-
	<b>64</b>	<b>66</b>	<b>-</b>	<b>-</b>

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

	CONSOLIDATED		UNIVERSITY	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>25. Capital commitments</b>				
a. Capital expenditure contracted but not provided in the accounts	24,066	5,957	24,066	5,957
b. Capital expenditure authorised but not contracted	28,265	21,069	28,265	21,069

	CONSOLIDATED	
	2015	2014
	£'000	£'000
<b>26. Reconciliation of operating (deficit) / surplus before taxation to net cash inflow from operating activities</b>		
Operating surplus before taxation	2,252	530
Endowment and investment income	(413)	(427)
Interest payable	815	1,513
Other pension costs (FRS17 adjustment)	(1,881)	(1,295)
Depreciation charge	9,746	10,366
Deferred capital grants released	(4,217)	(4,659)
(Surplus) / deficit on disposal of tangible fixed assets	(43)	139
Foreign exchange gain	(423)	(402)
Impairment of tangible fixed assets	15	14
Movement in working capital		
Stock	(18)	(7)
Work in progress	(2,201)	(405)
Debtors	9	(836)
Creditors	1,245	(62)
Deposits and income in advance	2,096	(338)
Provisions	397	(717)
	1,528	(2,365)
Net cash inflow from operating activities	7,379	3,414

CRANFIELD UNIVERSITY  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED 31ST JULY, 2015  
 (continued...)

	CONSOLIDATED	
	2015	2014
	£'000	£'000
<b>27. Analysis of changes in loan and finance leases during the year</b>		
At beginning of year	16,924	18,859
New leases/loans	1,453	185
Capital repayments	(1,645)	(1,498)
Foreign exchange gain	(636)	(622)
At end of year	16,096	16,924

	CONSOLIDATED	
	2015	2014
	£'000	£'000
<b>28. Reconciliation of net cash flow to movement in net funds</b>		
Decrease in cash at bank and in hand	(2,132)	(897)
Decrease in bank overdraft	-	-
Decrease in cash	(2,132)	(897)
Decrease in loans and finance leases	192	1,313
Change in net funds	(1,940)	416
Net funds at beginning of year	16,091	15,177
Foreign exchange gain	485	498
Net funds at end of year	14,636	16,091

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

	At beginning of year	Cash Flows	Other movements	At end of year
	£'000	£'000	£'000	£'000
Cash at bank and in hand including short term deposits	33,015	(2,132)	(151)	(30,732)
	<u>33,015</u>	<u>(2,132)</u>	<u>(151)</u>	<u>30,732</u>
Loans and finance leases within one year	(1,503)	(138)	-	(1,641)
Loans and finance leases after one year	(15,421)	330	636	(14,455)
	<u>16,091</u>	<u>(1,940)</u>	<u>485</u>	<u>14,636</u>

30. **Pensions**

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

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

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

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

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

**USS**

It is not possible to identify each participating institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if the scheme was a defined contribution scheme. The cost recognised within the surplus or deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year. The latest actuarial valuation of the scheme was as at 31st March, 2014, which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase 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 was 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.

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.

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

**LGPS** *(continued ...)*

The figures disclosed below estimated by the actuary as at 31st July, 2015 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, 2015 are as follows:-

	2015	2014	2013
	%	%	%
Salary scale increases per annum	3.3	3.3	5.1
Pension increases per annum	2.4	2.5	2.8
Discount rate per annum	3.5	3.9	4.6
Members opting for enhanced commutation pre 2008 service	50.0	50.0	50.0
Members opting for enhanced commutation post 2008 service	75.0	75.0	75.0

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

	2015	2014
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:-

	2015		2014		2013	
	Long term return expected	Assets	Long term return expected	Assets	Long term return expected	Assets
	%	£'000	%	£'000	%	£'000
Equities	3.5	47,570	6.6	45,471	6.4	44,795
Property	3.5	7,695	4.7	5,846	4.6	5,119
Bonds	3.5	11,892	3.7	11,693	3.9	12,159
Cash	3.5	2,798	3.6	1,949	3.4	1,920
	3.5	69,955	5.8	64,959	5.7	63,993

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



**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

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

	2015	2014	2013
	£'000	£'000	£'000
Market value of assets	69,955	64,959	63,993
Present value of liabilities	(119,572)	(111,146)	(107,022)
Deficit – net pension liability	<u>(49,617)</u>	<u>(46,187)</u>	<u>(43,029)</u>

	2015	2014
	£'000	£'000
<b>Analysis of the total operating charge:-</b>		
Current service cost	2,222	2,104
Loss due to curtailments	65	47
Past service cost	-	-
Total operating charge	<u>2,287</u>	<u>2,151</u>

<b>Analysis of the amount charged to interest payable:-</b>		
Expected return on pension scheme assets	(3,747)	(3,638)
Interest on pension scheme liabilities	4,302	4,884
Pension finance costs	<u>555</u>	<u>1,246</u>
<b>Total income and expenditure account charge</b>	<u>2,842</u>	<u>3,397</u>

CRANFIELD UNIVERSITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST JULY, 2015  
(continued...)

30. Pensions (continued ...)

	2015	2014
	£'000	£'000
<b>Analysis of amount recognised in statement of total recognised gains and losses:-</b>		
Actual return less expected return on pension scheme assets	(4,478)	(3,207)
	(4,478)	(3,207)
<b>Analysis of movements in the present value of the scheme liabilities:-</b>		
At beginning of year	111,146	107,022
Current service cost	2,222	2,104
Interest cost	4,302	4,884
Contributions by members	569	589
Actuarial losses	5,637	788
Losses on curtailments	65	47
Estimated benefits paid	(4,369)	(4,288)
	119,572	111,146
<b>Analysis of movement in the market value of the scheme assets:-</b>		
At beginning of year	64,959	63,993
Expected return on assets	3,747	3,638
Contributions by members	569	589
Contributions by the employer	3,890	3,446
Actuarial gains/(losses)	1,159	(2,419)
Estimated benefits paid	(4,369)	(4,288)
	69,955	64,959

**CRANFIELD UNIVERSITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST JULY, 2015**  
*(continued...)*

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

	2015	2014	2013	2012	2011
<b>Details of experience gains and losses for the year:</b>					
Gain/(loss) on scheme assets:					
Amount (£'000)	1,159	(2,419)	5,454	(1,626)	(1,423)
Percentage of scheme assets	1.7%	(3.7%)	8.5	(2.9%)	(2.6%)
Experience gain/(loss) on scheme liabilities:					
Amount (£'000)	887	3,651	(1,08)	(1,325)	10,030
Percentage of the present value of the scheme liabilities	0.7%	3.3%	(0.1%)	(1.4%)	11.8%
<b>Total (loss)/gain recognised in the statement of total recognised gains and losses:</b>					
Amount (£'000)	(4,478)	(3,207)	(2,597)	(9,765)	11,708
Percentage of the present value of scheme liabilities	(3.7%)	(2.9%)	(2.4%)	(10.2%)	13.7%

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

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	£'000	£'000
31. <b>Access funds</b>		
Funding Council grants	16	38
Disbursed to students	(7)	(22)
	<hr/>	<hr/>
Balance unspent at end of year	9	16
	<hr/>	<hr/>

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

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	£'000	£'000
32. <b>Profit on the disposal of assets</b>		
Profit / (loss) on the disposal of tangible fixed assets	43	(139)
	<hr/>	<hr/>

### 33. Related party transactions

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

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