Selwyn College, Cambridge

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

Registered Charity No. 1137517

Contents

Selwyn College
Grange Road, Cambridge CB3 9DQ
Charity Registration Number 1137517

The Head, Fellows and Scholars of Selwyn College is a corporate body comprising the Master, Fellows and Scholars. On 12th August 2010, the College became a registered charity with the Charities Commission, with its registered office at Grange Road, Cambridge CB3 9DQ.

Members of the Governing Body (as at 30th June 2011)

Professor Richard Bowring
Mr Peter L Agar
Dr Michael R F Aitken
Dr Marina Antoniou
Dr Patrick J N Baert
Dr Daniel A Beauregard
Dr John R Benson
Dr Rosemary C Bolton
Dr Uradyn E Bulag
Dr Nicholas J Butterfield
Dr Jack O Button
Professor R Stewart Cant
Dr Andrew N Chester
Dr David J Chivers
Dr Jean K Chothia
Dr Daping Chu
Professor William J Clegg
Dr Philip J Connell
Mr Kenneth J Coutts
Dr John S Dennis
Mr Nicholas J A Downer
Professor David F Ford
Mr Peter K Fox
Dr Linda Freedman
Dr Christos Genakos
Dr Fabian Grabenhorst
Dr Keith J B Grainge
Dr Robert D Harding
Mrs Sarah B P Harmer
Professor David W Holton
Dr Andrew V Jones
Dr James H Keeler
Mrs Haruko U Laurie
Ms Sarah E A MacDonald
Dr Catherine P MacKenzie
Mr James M R Matheson
Dr Sarah Meer
Dr Alexander D Mills
Professor John S Morrill
Dr James Moultrie
Dr Nikolaos Nikiforakis
Dr Jeremy E Niven
Dr Janet A O'Sullivan
Dr Amer A Rana
Professor John D Ray
Dr Stewart Sage
Professor Jeremy K M Sanders
Dr Hugo L Service
Dr Michael J Sewell
Revd Canon Hugh D Shilson-Thomas
Dr David L Smith
Professor John R Spencer
Dr Michael J Taussig
Dr Siân E Thomas
Dr Rupert J E Thompson
Dr Michael J Tilby
Dr David W E Willis
Dr Charlotte Woodford

JUNIOR MEMBERS

Benedict Gliniecki (JCR President)
Thomas Nicholl (JCR Treasurer)
Elizabeth Dodd (MCR President)

Operating and Financial Review for the Year ended 30th June 2011

Scope
Selwyn College (the "College") is pleased to present its operating and financial review, together with the consolidated financial statements for the year ended 30th June 2011. The consolidated financial statements include those of its development subsidiary, SCO&E Limited.

Aims and Objectives
Founded in 1882 as a place of religion, education, learning and research in memory of George Augustus Selwyn, Bishop successively of New Zealand and of Lichfield, the College is an autonomous, self-governing community of scholars and one of 31 Colleges within the University of Cambridge. The community consists of the Master, 57 fellows and 564 junior members, of whom 374 are undergraduates and 190 are graduate students. The College exists to promote its charitable objectives as laid down in its charter and statutes.

The College provides, in conjunction with the University of Cambridge, an education for undergraduate and graduate students, which is recognised as being of the highest international standard. The University came first overall in the QS World University Rankings for 2011. This education develops students academically and advances their leadership qualities and interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides teaching facilities and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial and graduate mentoring systems. It also provides social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College.

The College advances research through the provision of Research Fellowships to outstanding academics at the early stages of their careers, which enables them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post. In addition, it supports research work pursued by its other Fellows through the promotion of interaction across disciplines, the provision of facilities and grants for national and international conferences, research trips and research materials. It encourages visits from outstanding academics from abroad and the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

Public benefit
The College's purpose is to provide a world-class education to the students with the most potential in each subject, whatever their means or social background. The College aims to attract the best applicants from the widest range of schools and colleges, thus helping to achieve the government's aspiration for a greater number of places being taken up by students from the maintained sector. To this end, the College undertakes an extensive programme of school visits, (137 in 2010-11) and hosted four Open Days attended by over 200 schools. The College participates enthusiastically in the Widening Participation and Aspiration-Raising programmes. Since 2000, by agreement with the University and the other colleges, Selwyn has targeted non-selective state maintained 11-16 and 11-18 schools, Further Education and Sixth Form Colleges in Leeds, West Yorkshire and Scotland.

In October 2010, 73.1% of students accepted by Selwyn were from the maintained sector, up from 68.5% the previous year and well above the University average of 59.3%. Over the year, the College spent £44,856 on outreach events, up from £34,027 the previous year. Once admitted, students have access to several sources of financial aid. In 2010-11, an average of £1,971 was received by 102 home undergraduates out of a Home/EU undergraduate population of 374 through the Cambridge Bursary Scheme, a scheme operated in common with the University, other colleges, and the Isaac Newton Trust. Under this Scheme, students whose household income is below £25,000 receive a maximum grant of £3,400 per year in addition to any government means-tested grants. Those with incomes of up to £50,020 receive amounts that taper to £50. In total, the College paid out £125,778 in awards and scholarships (to support the purchase of books and equipment, attendance at conferences, and travel), studentships, and bursaries in cases of financial hardship.

Achievements and Performance
The College was placed 7th in the 2011 Tompkins Table, which ranks the 28 undergraduate colleges according to academic success in Tripos. 26.3% of Selwyn candidates obtained first class honours in 2011. Details of the College's many sporting, musical and cultural successes are recorded in the *College Calendar*.

Governance
The College is a corporation established by Royal Charter of 13th September 1882. The arrangements for governance of the College are set out in its statutes. The Master is Head of House, has statutory powers of governance and presides over the Governing Body. The Senior Tutor has overall responsibility for the admission, education and welfare of undergraduates and graduates and the Bursar has overall responsibility for the finances and administration of the College. The current membership of the Governing Body is shown at the beginning of this report. Members of the Governing Body serve until the earlier of retirement or the end of the academic year in which they reach 67 years of age.

Acting on the powers in the Charities Act 2006, the Secretary of State removed the exempt status of the Colleges of Oxford and Cambridge on 1st June 2010. The College was then registered with the Charity Commission on 12th August 2010 (Registered Number: 1137517). The Governing Body is the trustee body for the charity.

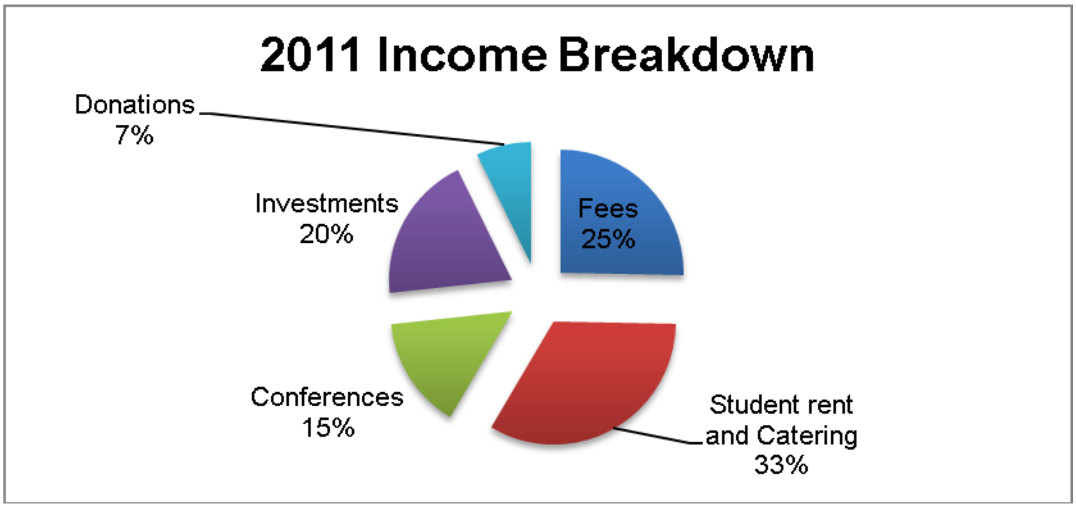
From a financial perspective, the Governing Body has responsibility for ensuring that there is an effective system of internal controls and that financial records are accurately maintained. It is also responsible for safeguarding the assets of the College and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The College is required by statute to present audited financial statements for each financial year. The Cambridge Colleges are classed as a special case for purposes of accounting and will continue to publish accounts in the form stipulated by Statute G III 2(i) of the University, *The Recommended Cambridge Colleges Accounts ("RCCA"),* which is based on Financial Reporting Standards and is compliant with the *Statement of Recommended Practice: Accounting for Further and Higher Education.* The Intercollegiate Colleges Accounts Committee advises on interpretation. The College is a charity within the meaning of the Taxes Act 1988, s 506 (1).

The Governing Body, which meets three times a year, delegates day-to-day responsibility for the running of the College to the College Council and its sub-committees. Representatives of the undergraduate and postgraduate student bodies attend Governing Body and Council meetings and most of the sub-committees. External advisers attend meetings of the Investment Committee. Members of the Governing Body are required to act with integrity, in the College's interests without regard to their own private interests, and manage the affairs of the College prudently, balancing long-term and short-term considerations. The College has a policy for managing conflicts of interest, maintaining a register of interests and seeking declarations of potential conflict at the start of any meeting.

The College is a legally autonomous body; however, it exists within the federal structure of the University. Matters of concern to all colleges and the University are discussed and acted on through a system of University-wide committees, such as the Colleges' Committee, of which all Heads of Houses are members, the Senior Tutors' Committee, which is chaired by the Vice Chancellor, and the Bursars' Committee. Representatives of the Senior Tutors and Bursars sit on each other's committees and on the Colleges' Committee. These committees work through the building of consensus as their decisions are not constitutionally binding. The Cambridge colleges have established an Office for Intercollegiate Services, to support the activities of the principal intercollegiate committees.

Funding

The College's activities are funded from academic fees, charges for student residences and catering, income from conferences, investments and from donations and bequests. The chart below shows the breakdown by category of the College's income for 2010-11:



Academic Fees

Within academic fees the most significant source of funding is the fee payable on behalf of the students by the University from its HEFCE grant, towards the cost of admitting and supervising publicly- funded undergraduates and providing tutorial support and social and recreational facilities. In 2010-11, this payment, which accounted for 20.1% of total income, amounted to £1,454,859 (2009-10: £1,387,042) for some 379 students, including publicly-funded undergraduates, Clinical Medical, and Veterinary Students. In 2010-11, the College received £3,861 per publicly-funded undergraduate and set a fee of £5,060 for privately-funded undergraduates. The fee payable by all graduate students was £2,229. These fees are substantially below the actual cost of education, which was estimated by the College in 2009-10 as £5,604 per annum for an undergraduate and £2,840 for a postgraduate. The consequences of the shortfall are evidenced by the growing deficit on the education account described below.

On 14th December 2010, Parliament approved the government proposals, made under the 2004 Act, to increase from 1st September 2012 the basic and higher amounts of University fees from their current levels of £1,310 and £3,375 respectively to £6,000 and £9,000 respectively. The rise in fees is necessary to compensate for the 80% reduction in government funding of the HEFCE Teaching Grant that was announced in the Comprehensive Spending Review.

As part of a 1998 settlement with the government, the Colleges agreed to enhance the system of intercollegiate support and to raise £30 million for The Colleges Fund. The

Colleges Fund, which is funded through an intercollegiate taxation system, makes grants to Colleges with insufficient endowments. Grants to Selwyn from the Colleges Fund since the beginning of this arrangement have totalled £2,293,093. The College received a grant of £251,000 in 2010-11 (2009-10: £244,000).

Student Residences and Catering
Rent and catering for members of the College was the most important revenue source, accounting for 33% of total income. Most junior members live in College accommodation while in residence. The majority of rooms are located on or adjacent to the main site on Grange Road. The College provides a wide range of student accommodation with varying charges depending on the facilities provided. A typical room rent in 2010-11 was around £95 per week. This is substantially below the levels charged by private landlords in Cambridge and also below the economic cost to the College of providing the room. The College acknowledges that welfare considerations must play a part in rent discussions and that sharp rent rises are to be avoided where possible. In consequence, the College has put in place a seven-year agreement designed to achieve breakeven on the rent account.

The College also offers a variety of catering services to members; snacks, brunches, cafeteria self-service meals and formal hall dinners. The College is recognised for the high quality of its offering and was awarded the highest 5-star rating by Cambridge City Council.

Conferences
The College has a long-term strategy of building its conference income, which reached £1.1 million in 2010-11, representing 15% of total income, and up from £0.9 million in 2009-10. The business has grown 90% since 2003, as the College seeks to cover the out-of-term portion of the year-round costs of the estate and the staff. The College works closely with many University departments, notably the Institute of Continuing Education and its Summer Schools on the adjacent Sidgwick Site.

Donations and bequests
One of the fundamental challenges facing the College is that its endowment is insufficient to support the current scale of its operations, as income from investments can only partly offset losses in the core businesses. The College is preparing a new endowment campaign that is intended to address this and secure the future scope, scale and quality of its operations. The College announced the appointment of a new Development Director in January 2011 and hopes to announce details of the campaign in 2012.

Investment Income
Although the College's endowment remains modest when compared to other Cambridge colleges, income from investments is a vital source of revenue, amounting to £1.4 million or 20% of total income in 2010-11. The College endeavours to manage its investments to ensure that it can continue to meet its charitable objectives in perpetuity. The portfolio continues to be self-managed by the College's Investment Committee, which includes external members and the College's stockbroker. The College's defensive investment stance served it well throughout the downturn and relatively high levels of equity weighting at 74% (compared to 65% for the WM Charity Fund Monitor) have benefited from market recovery at a time when returns on cash are minimal. The College continues to favour security of capital over performance and maintains a defensive approach to investment. The College's annual average return over the last five years has been 13.9%

Financial review
The College is again able to announce a resilient set of results in what remains an unfavourable business environment for the Oxbridge colleges. Whilst these have

undoubtedly been assisted by the special dividend described below, there remains a steady improvement in the underlying financial situation of the College. This has resulted from continued rigorous cost control, including pay and bonus freezes for non-academic staff, steady growth in the conference business and renewed fundraising efforts. The College remains in structural deficit, but at a reduced level.

Income and Expenditure

The above measures have contributed to a further progress in the reduction of the underlying deficit. In pure accounting terms, the College effectively broke even, making a nominal surplus. This figure is however flattered by a number of factors and needs to be adjusted to gain an understanding of the underlying operational condition of the College. In the year to June 2011, the College recorded an underlying deficit of £536,093, which represented a 19% improvement over the previous year's deficit and a 43% improvement compared to 2009. This strong year-on-year improvement is heartening, but the College nonetheless remains in deficit.

	2011	**2010**	**2009**
	£	**£**	**£**
Net Surplus/ (Deficit)	**63,266**	**(240,684)**	**(393,163)**
FRS17 Pension Cost Adjustments	73,293	3,939	(24,101)
Unrestricted Donations Income	(273,957)	(225,024)	(263,552)
Release of Deferred Capital	(258,095)	(222,636)	(174,589)
Profit on Property Disposal	-	-	(145,239)
Loan Interest	25,000	25,000	62,500
Special Dividend	(165,600)	-	-
Underlying Deficit	**(536,093)**	**(659,405)**	**(938,144)**

Benchmarking exercises with other Colleges suggest that Selwyn is amongst the most efficiently run. Whilst cost reduction remains a priority for the College, it must take care not to damage the scale and quality of the education offered. As described below, the long-term solution to the deficit is to raise revenue by means of an increased endowment, rather than cost cutting at the expense of the College's charitable objectives.

Income for the year rose by 11.8% to £7.24 million, helped above all by a 23% increase in endowment income, the details of which are outlined below, along with a 7% rise in fee income, as student numbers remained above expectation, and a 9% rise in income from residences, catering and conferences. The corresponding increase in total expenditure to £6.92 million was restricted to 6.5%.

Fee income from and on behalf of undergraduate and graduate students rose by 7% to £1.83 million. This increase however was more than offset by an 8% rise in expenditure on education to £2.65 million, resulting in a further widening of the education deficit to £814,799.

Income from accommodation of College members rose by 5% to £1,652,590. Higher utility bills were mainly responsible for a 6% rise in related expenditure to amount to £1,989,777. This resulted in a modest increase in the student accommodation deficit. Long term rent agreements with the junior members will allow the College to recapture these costs next year.

Income from catering for College members rose by 11% to £748,180, whilst the increase in the related expenditure was restricted to 7% at £948,909. This led to an 8% reduction in the deficit on the catering account to £200,729 over the year. Last year's review of catering operations is beginning to bear fruit.

Investments
The College's investment portfolio amounted to £30,720,571 at 30th June 2011, an increase of 22% on the previous year, following a good investment performance and the receipt of £315,385 of new donations. On a like-for-like basis, the portfolio rose by 13.5% as financial markets recovered. This, with an income return of 4.4% for the year, produced a total return of 17.9%, which broadly matched the performance of the WM Charity Fund Monitor of 18.2% and modestly outperformed the University Endowment Fund's return of 16.1%. Investment income recovered strongly over the year, rising by 23% to £1.4 million. The recovery was fuelled by recovering equity markets and a one-time special dividend from International Power, following its merger with GDF Suez.

Donations
The College is dependent on donations and benefactions to build its endowment and offset losses in its core activities. It is a vital source of revenue and the College is very appreciative of the generosity of its alumni. This year the College received £273,957 in unrestricted donations, which form part of Endowment Income in the Income and Expenditure account; last year it received £225,023. In addition, the College received £315,385 in donations for capital purposes, which appear in the Consolidated Statement of Total Recognised Gains and Losses; last year it received £582,213.

Cash Flow
In recent years, the College has concentrated almost exclusively on defending its cash flow. This can be calculated in a number of ways and in the interests of simplicity, one measure of the real progress of the College is to take the underlying deficit and add back the annual depreciation charge, as follows:

	2011	**2010**	**2009**
	£	**£**	**£**
Underlying Deficit	(536,093)	(659,405)	(938,144)
Depreciation Charge	1,453,219	1,412,394	1,255,783
Cash Flow	917,126	752,989	317,639
Change	22%	137%	(44%)

The strong recovery in cash flow from the low point of 2008-09 is indeed welcome, and has for the first time in many years allowed the College to contribute to endowment from internal resources. Solid cost control has allowed the College to navigate several years of recession and remain cash positive. Maintaining positive cash flow over the long term is a critical objective. When cash generation turns negative, the College will have to sell assets or borrow money to fund its day-to-day operations. This would certainly be imprudent and unsustainable.

Staff Costs and Pensions

Staff costs amounted to £3.25 million, or 47% of total expenditure. This represented a 9.9% rise on the previous year. Whilst like-for-like pay for non-academic staff was restricted to a 2.2% increase over the year, modestly increased headcount in the Maintenance and Development departments, along with a 40% rise in pension costs (largely down to FRS17 charges), led to an 12% rise in non-academic pay costs to £2.5 million. Academic pay costs rose by 5% to £0.75 million.

At 30th June, 2011, the College employed 51 Fellows and 96 full-time equivalent staff, compared with 50 Fellows and 91 full-time equivalent staff, the previous year.

Under FRS17 the College is required to disclose its pension liability on the balance sheet. This year saw a dramatic reduction in the pension deficit as calculated by the actuary from £1,458,872 to £400,677 at 30th June 2011. The decrease in the deficit is due to two main factors: better than expected investment returns and contributions paid by the College towards meeting the funding deficit. The reduction in the deficit of £1,058,195 is shown in the accounts as follows:

	2011	**2010**	**2009**	**2008**
	£	£	£	**£**
Income and Expenditure Account:	(73,293)	(3,939)	24,101	132,376
Statement of Total Recognised Gains and Losses:	1,131,488	(477,227)	(296,003)	(407,739)
Total decrease/(increase)	1,058,195	(481,166)	(271,902)	(275,363)

The College is committed, to the best of its ability, to protecting the pension benefits of its employees, and has in the last year paid contributions into the scheme that are in excess of those required to secure one year's pension benefit for current members.

Balance Sheet

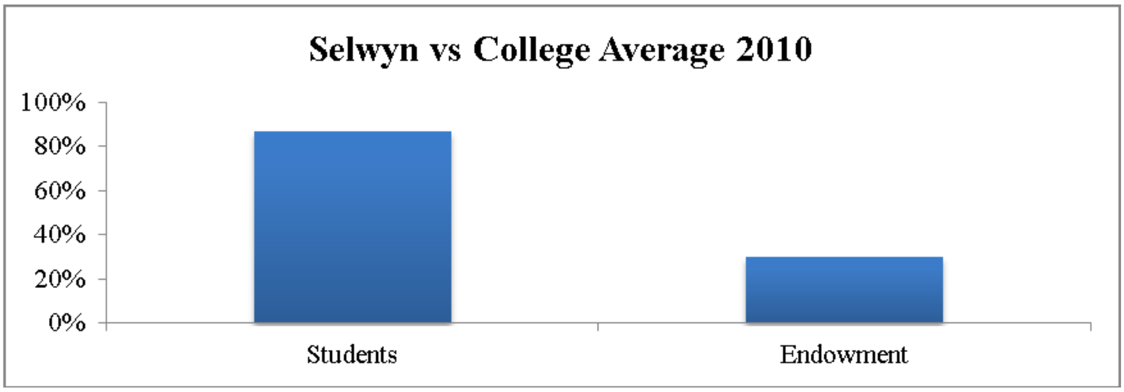
Liquid resources increased modestly from £0.39 million to £0.49 at the year-end. Other than a loan of £2.5 million from the Ann D Foundation, the College is debt-free. Land and buildings of £53.1 million and the investment portfolio of £30.7 million form the other main components of a balance sheet of £81.2 million.

Buildings and Estate

Maintaining the College's listed and historic buildings is one of the College's major costs, with an annual depreciation charge of £1.45 million (or 21% of total expenditure) set aside to cover their upkeep and replacement. In the year under review, capital expenditure on buildings amounted to £0.27 million, with a further investment of £0.34 million in fixtures, fittings and equipment. Major items included £116,000 for professional fees incurred in relation to the forthcoming refurbishment of Cripps Court, details of which are set out below, £43,000 on the refurbishment of 40 Grange Road and £37,000 on repairs to the Chapel roof.

Risks and Uncertainties

The primary risks facing the College are of a financial nature. Relative to other colleges, the chart below shows that Selwyn has 30% of the average endowment but almost 90% of the average student numbers:



In short, the College is punching considerably above its weight and is incurring losses as a direct result. It must therefore either grow the endowment and increase investment income to the point where overall underlying breakeven can be achieved, or scale back the size, scope and quality of its operations. The College undertook a major financial review in 2006, with a follow-up review in June 2010 to formulate a twin strategy: to focus in the short term on cost control and cash preservation. The College recognises that, although a necessary and ongoing process, cost cutting will not provide the ultimate solution to the structural losses. It will however permit a breathing space to put in place a long-term development campaign to increase the endowment by £20 million in order to secure the future and insulate the College against the vagaries of an increasingly hostile operating environment.

The College recognises that retrenchment remains a possibility, especially in the event that the required amounts are not raised in the endowment campaign. In this event, the College will need to consider the sale of its six Grange Road properties not on the main site, along with other non-core properties. This will raise a substantial amount but will necessitate a reduction in the student body of around 70. This is not the preferred strategy but will be kept under review.

Other uncertainties relate to the situation regarding fees for higher education. It is likely that the impact of the 80% cut in the HEFCE teaching grant will be felt before the full benefit of the £9,000 undergraduate fee takes effect. This may well mean a short-term cut in the fees received by the College from the University. This is still a matter of negotiation at the time of writing.

Future Plans

The College is preparing for the refurbishment of Cripps Court, involving around 220 rooms and over 30 kitchens. Following the refurbishment of Old Court and the construction of the first two phases of Ann's Court, the proposed works will largely complete the upgrading of the College estate. The project will present a major financial and physical challenge to the College and, with a budget of £17 million, will require the College to undertake substantial indebtedness for the first time in its history. The borrowing need has however been mitigated by generous support from the Cripps Foundation. Survey work has commenced, with construction expected to begin in summer 2012.

Outlook

The College has responded to a difficult period in an effective yet measured manner. Costs are being addressed where practicable but the Governing Body is conscious of the need to preserve the ethos of the College. Despite the unfavourable financial and operating environment, the College has much to be proud of: it remains highly successful academically and is a strikingly vibrant community. It now wishes to protect and develop these qualities and is embarking on a new and critical phase of its history, as it seeks to grow its endowment and secure its financial and academic future.

NJA Downer

N J A Downer
October 2011

Statement of Responsibilities of the Governing Body

In accordance with the College's Statutes, the Governing Body is responsible for the administration and management of the College's affairs.

It is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University.

In causing the financial statements to be prepared, the Governing Body 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.

The Governing Body is satisfied that the College has adequate resources to continue in operation for the foreseeable future. The financial statements are accordingly prepared on a going concern basis.

The Governing Body has taken reasonable steps to ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud.

Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

Independent Auditors' Report to the Governing Body of Selwyn College Year Ended 30 June 2011

We have audited the financial statements of Selwyn College for the year ended 30 June 2011, which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 13, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial information in the 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 group's and the College's affairs as at 30 June 2011 and of the group's income and expenditure for the year then ended;

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- the financial statements have been prepared in accordance with the requirements of the Charities Act 1993, the College's Statutes and the Statutes of the University of Cambridge;

- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Governing Body's Operating and Financial Review is inconsistent in any material respect with the financial statements; or

- sufficient accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

Peters Elworthy & Moore

Peters Elworthy & Moore
Salisbury House
Station Road
Cambridge
CB1 2LA

Chartered Accountants and Statutory Auditors

Date: 21 November 2011

Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 9a.

All items dealt with in arriving at the surplus/ (deficit) for 2011 and 2010 relate to continuing operations.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertaking, S. C. O. & E. Ltd, for the year ended 30 June 2011. The activities of student societies have not been consolidated. A separate balance sheet and related notes for the College are not included because S. C. O. & E. Ltd is a design and build company and therefore the balance sheet of the College would not be materially different to the one included in the accounts.

S. C. O. & E. Ltd is incorporated in England and Wales with an authorised and issued share capital of 1,000 £1 ordinary shares, of which the College holds 100%.

Recognition of income

a. Academic fees
Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors.

b. Restricted grant income
Grants received for restricted purposes are recognised as income to the extent that relevant expenditure has been incurred.

c. Donations and benefactions
Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the income and expenditure account. Donations which are to be retained for the future benefit of the College and other donations with substantially restricted purposes, other than for the acquisition or construction of tangible fixed assets, are recognised in the statement of total recognised gains and losses as new endowments.

d. Capital grants and donations
Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants when the related capital expenditure is incurred and released to income over the estimated useful life of the respective assets in line with the depreciation policy. Grants and donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the income and expenditure account in the year of acquisition.

e. Other income
Income is received from a range of activities including residences, catering, conferences and other services rendered.

f. Endowment and investment income
All investment income is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

Tangible fixed assets

a. Land and buildings
The operational buildings held by the College on 1 July 2002 have been brought into the accounts at depreciated replacement cost based on a valuation carried out by Davis Langdon LLP, Chartered Surveyors. Subsequent additions and improvements to the College's buildings are accounted for at cost. Freehold buildings are depreciated on a straight-line basis over their expected useful economic life of 50 years. Freehold land is not depreciated. Leasehold buildings are amortised over 50 years, or, if shorter, the period of the lease.

With effect from 2002/03 where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June 2011. They are not depreciated until they are brought into use.

No value has been placed on the land occupied by the College's operational buildings as at 1 July 2002; purchases of land after this date are to be capitalised.

b. Maintenance of premises
The College has a five-year rolling maintenance plan that is reviewed on an annual basis. The cost of routine maintenance is charged to the Income and Expenditure Account as it is incurred.

c. Furniture, fittings and equipment
Furniture, fittings and equipment costing less than £100 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful lives as follows:

Furniture and fittings	15 years
Motor vehicles	10 years
General equipment	5 years
Computer equipment	4 years
Library books	20 years
Musical instruments	50 years

No depreciation is charged in the year of acquisition.

Where equipment is acquired with the aid of specific bequests or donations it is capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

d. Heritage assets
The College holds a collection of rare books which is not recognised in the Balance Sheet. This collection has arisen through donations and largely comprises works on theology. Few of the books are scarce or in first editions and the subject area is unfashionable. It would be difficult and expensive to replace the collection but equally the possibility of finding a specialist buyer could not be guaranteed, therefore to attribute any value to these books would be unrealistic.

The College employs a professional archivist whose responsibilities include the care and maintenance of the rare book collection. The exposure of the collection to heat and light is strictly controlled.

The College also holds a number of paintings and drawings but the majority of these are portraits of members and benefactors of the College. As such this collection pertains to the history of the College and has little external market value.

e. Leased assets
The College does not hold any fixed assets under finance leases.

Investments

Fixed asset investment and endowment assets are included in the balance sheet at market value. All the College’s investments are listed on a recognised stock exchange.

Stocks

Stocks are valued at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

Provisions

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

Endowment Funds

Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the College, the fund is classified as an unrestricted permanent endowment.

- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.

- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the College must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the budgeted rate of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the actual year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Taxation

Until 1st June 2010 the College was an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. On 1st June 2010 the College ceased to be an exempt charity and, subsequent to the balance sheet date, became a registered charity, number 1137517, on 17th August 2010.

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

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

Contribution under Statute G,II

The College is liable to be assessed for Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants. The liability for the year is as advised to the College by the University based on an assessable amount derived from the value of the College’s assets as at the end of the previous financial year.

Pension costs

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

The College also participates in the Cambridge Colleges Federated Pension Scheme (CCFPS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

Consolidated Income & Expenditure Account
For the year ended 30 June 2011

	Note	2011	2010
		£	£
INCOME			
Academic fees and charges	1	1,830,368	1,708,323
Residences, catering and conferences	2	3,469,266	3,174,446
Endowment and investment income	3	1,407,059	1,141,782
Donations	4	532,052	447,659
Other income	5	266	-
Total income		7,239,011	6,472,210
EXPENDITURE			
Education	6	2,645,167	2,439,919
Residences, catering and conferences	7	4,218,411	3,967,565
Interest payments		25,000	25,000
Other expenditure	8	32,151	64,355
Total expenditure	9a	6,920,729	6,496,839
Surplus/(deficit) on continuing operations before Contribution under Statute G,II		318,282	(24,629)
Contribution under Statute G,II		-	-
		318,282	(24,629)
Surplus for the year transferred to accumulated income in endowment funds	21	(255,016)	(216,055)
Surplus/(deficit) for the year retained within general reserves	**£**	**63,266**	£ (240,684)

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2011

	Note	Restricted Funds £	Un-restricted Funds £	2011 Total £	Restated 2010 Total £
Surplus/(deficit) on income and expenditure account		255,016	63,266	318,282	(24,629)
Increase in market value of investments					
Endowment assets	21	1,310,316	1,565,510	2,875,826	1,664,428
Fixed asset investments	22	-	494,517	494,517	318,874
New endowments	21	315,385	-	315,385	582,213
Bursary compensation payment		-	43,071	43,071	36,505
Capital grant from the Colleges Fund		-	251,000	251,000	244,000
Actuarial gain/(loss) in respect of pension schemes	24	-	1,131,488	1,131,488	(477,227)
Total recognised gains relating to the year		**1,880,717**	**3,548,852**	**5,429,569**	2,344,164
Reconciliation					
Opening reserves and endowments (restated)	26	10,642,917	54,382,177	65,025,094	62,680,930
Total recognised gains for the year		1,880,717	3,548,852	5,429,569	2,344,164
Closing reserves and endowments		**12,523,634**	**57,931,029**	**70,454,663**	65,025,094

Consolidated Balance Sheet as at 30 June 2011

	Note	**30 June 2011 £**	Restated 30 June 2010 £
Fixed assets			
Tangible assets	11	53,059,730	53,901,842
Investments	12	4,439,949	1,747,638
Endowment assets	13	26,280,622	23,385,690
Current assets			
Stocks	14	165,746	146,701
Debtors	15	335,692	366,238
Cash	16	489,765	392,577
		991,203	905,516
Creditors: amounts falling due within one year	17	690,596	602,324
Net current assets		300,607	303,192
Total assets less current liabilities		84,080,908	79,338,362
Creditors: amounts falling due after more than one year	18	2,500,000	2,500,000
Net assets excluding pension liability		81,580,908	76,838,362
Pension liability	19	400,677	1,458,872
Net assets including pension liability		**£ 81,180,231**	£ 75,379,490

Represented by:		**Restricted Funds £**	**Un-restricted Funds £**	**30 June 2011 £**	Restated 30 June 2010 £
Deferred capital grants	20	10,725,568	-	10,725,568	10,354,396
Endowments					
Expendable endowments	21	117,927	-	117,927	110,247
Permanent endowments	21	12,405,707	13,756,988	26,162,695	23,275,443
		12,523,634	13,756,988	26,280,622	23,385,690
Reserves					
General reserves excluding pension reserve	22	-	44,574,718	44,574,718	43,098,276
Pension reserve	22	-	(400,677)	(400,677)	(1,458,872)
		-	44,174,041	44,174,041	41,639,404
Total Endowments and Reserves		12,523,634	57,931,029	70,454,663	65,025,094
Total funds		23,249,202	57,931,029	**£ 81,180,231**	£ 75,379,490

Approved by the Governing Body on 15 November 2011 and signed on their behalf by:

N J A Downer
Bursar

Consolidated Cash Flow Statement for the year ended 30 June 2011

	Note	**2011** £	2010 £
Operating activities			
Surplus/(deficit) on continuing operations before Contribution under Statute G,II		318,282	(24,629)
Depreciation of tangible fixed assets	11	1,453,219	1,412,394
(Profit)/loss on disposal of tangible fixed assets	5	(266)	65
Deferred capital grants released to income	20	(258,095)	(222,636)
Investment income	3	(1,407,059)	(1,141,782)
Interest payable		25,000	25,000
Movement in pension deficit	19	73,293	3,939
		204,374	52,351
Increase in stocks	14	(19,045)	(5,310)
Decrease/(increase) in debtors	15	30,546	(50,291)
Increase/(decrease) in creditors	17	88,272	(109,201)
Net cash inflow/(outflow) from operating activities		**304,147**	(112,451)
Returns on investments and servicing of finance			
Endowment and Investment income received	3	1,407,059	1,141,782
Interest paid		(25,000)	(25,000)
Net cash inflow from returns on investment and servicing of finance		**1,382,059**	1,116,782
Contribution to the Colleges Fund		**-**	-
Capital transactions and financial investment			
Purchases of investment assets		(2,216,900)	(4,152,307)
Proceeds of sale of tangible fixed assets	5	900	-
Payments to acquire tangible fixed assets	11	(611,741)	(1,111,795)
Donations for buildings and other capital grants received	20	629,267	2,969,755
New endowments received	21	315,385	582,213
Grants received from Colleges Fund		251,000	244,000
Bursary compensation payment		43,071	36,505
Net cash outflow from capital transactions		**(1,589,018)**	(1,431,629)
Increase/(decrease) in cash in the year	**£**	**97,188**	£ (427,298)
Reconciliation of net cash flow to movement in net liquid assets			
Increase/(decrease) in cash in the period		97,188	(427,298)
Net funds at beginning of year		392,577	819,875
Net funds at end of year	16 **£**	**489,765**	£ 392,577

Notes to the Accounts for the year ended 30 June 2011

Note

		2011	2010
1	**ACADEMIC FEES AND CHARGES**	**2011**	2010
	COLLEGE FEES	**£**	£
	Fee income paid on behalf of undergraduates at the Publicly-funded Undergraduate rate (per capita fee £3,861)	1,454,859	1,387,042
	Privately-funded undergraduate fee income (per capita fee £5,060)	115,235	96,605
	Fee income received at the Graduate fee rate (per capita fee £2,229)	260,274	224,676
		£ 1,830,368	£ 1,708,323

2	**INCOME FROM RESIDENCES, CATERING AND CONFERENCES**		**2011**	2010
			£	£
	Accommodation:	College members	1,652,590	1,567,911
		Conferences	681,776	570,355
	Catering:	College members	748,180	673,534
		Conferences	386,720	362,646
			£ 3,469,266	£ 3,174,446

3	**ENDOWMENT AND INVESTMENT INCOME**	**2011**	2010
	Income from:	**£**	£
	Freehold land and buildings	71,698	75,310
	Quoted securities		
	Equities	1,118,825	842,166
	Fixed interest	207,931	208,925
	Cash	8,605	15,381
		£1,407,059	£ 1,141,782

Investment Management fees paid to J. M. Finn & Co. were £13,950 (2010: £14,385) and are included in Other Operating Expenses (Note 9a).

4	**DONATIONS**	**2011**	2010
		£	£
	Unrestricted donations	273,957	225,023
	Released from deferred capital grants (see note 20)	258,095	222,636
		£532,052	£447,659

5	**OTHER INCOME**	**2011**	2010
		£	£
	Profit on disposal of tangible fixed assets	266	-
		£266	£-

Notes to the Accounts for the year ended 30 June 2011

6 EDUCATION EXPENDITURE	2011 £	2010 £
Teaching	1,423,864	1,352,340
Tutorial	581,771	534,307
Admissions	253,860	236,789
Research	142,869	124,962
Scholarships and awards	125,778	106,885
Other educational facilities	117,025	84,636
Total	£ 2,645,167	£ 2,439,919

7 RESIDENCES, CATERING AND CONFERENCE EXPENDITURE		2011 £	2010 £
Accommodation	- College members	1,989,777	1,873,239
	- Conferences	850,787	800,879
Catering	- College members	948,909	890,673
	- Conferences	428,938	402,774
Total		£ 4,218,411	£ 3,967,565

8 OTHER EXPENDITURE	2011 £	2010 £
Net return on pension scheme assets less liabilities	32,151	64,290
Loss on disposal of tangible fixed assets	-	65
	£ 32,151	£ 64,355

9a ANALYSIS OF 2010-11 EXPENDITURE BY ACTIVITY	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
Education (note 6)	1,328,568	1,031,326	285,273	2,645,167
Residences, catering and conferences (note 7)	1,920,784	1,129,681	1,167,946	4,218,411
Interest payments	-	25,000	-	25,000
Other expenditure (note 8)	-	32,151	-	32,151
	£3,249,352	£ 2,218,158	£ 1,453,219	£ 6,920,729

Other Operating Expenses includes £187,011 as costs of fundraising (2010: £240,476). This expenditure includes the cost of alumni relations.

9b ANALYSIS OF 2009-10 EXPENDITURE BY ACTIVITY	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
Education (note 6)	1,221,325	950,864	267,730	2,439,919
Residences, catering and conferences (note 7)	1,734,523	1,088,378	1,144,664	3,967,565
Interest payments	-	25,000	-	25,000
Other expenditure (note 8)	-	64,355	-	64,355
	£ 2,955,848	£ 2,128,597	£ 1,412,394	£ 6,496,839

9c AUDITORS' REMUNERATION	2011 £	2010 £
Other operating expenses include:		
Audit fees payable to the College's external auditors	13,337	12,862
Other fees payable to the College's external auditors	2,912	1,268
	£ 16,249	£ 14,130

The amounts above include related irrecoverable VAT.

Notes to the Accounts for the year ended 30 June 2011

10 STAFF

	2011 College Fellows £	**2011 Non-academic £**	**2011 Total £**	2010 Total £
Staff costs:				
Emoluments	608,840	2,025,049	2,633,889	2,440,202
Social Security costs	39,314	131,928	171,242	173,182
Other pension costs (see note 24)	103,856	340,365	444,221	342,464
	£752,010	£2,497,342	£3,249,352	£2,955,848

	Average staff nos.			Average staff nos.		
	Number of Fellows	Full-time equivalents	**2011 Total**	Number of Fellows	Full-time equivalents	2010 Total
Academic	50	-	50	49	-	49
Non-academic	1	96	97	1	91	92
	51	96	147	50	91	141

There are 58 Fellows in the Governing Body, of which the 51 declared above receive a stipend from the College.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 (2010: none).

Trustees' remuneration included above: £608,840 (2010: £573,513). The trustees receive no remuneration in their role as trustees of the charity.

Notes to the Accounts for the year ended 30 June 2011

11 TANGIBLE FIXED ASSETS

	2011 Land and buildings £	2011 Equipment £	2011 Total £	2010 Total £
Cost or valuation				
At beginning of year	58,864,345	4,169,586	63,033,931	61,975,406
Additions at cost	268,987	342,754	611,741	1,111,795
Disposals at cost/valuation	-	(29,916)	(29,916)	(53,270)
At end of year	59,133,332	4,482,424	63,615,756	63,033,931
Depreciation				
At beginning of year	7,719,610	1,412,479	9,132,089	7,772,900
Charge for the year	1,178,694	274,525	1,453,219	1,412,394
Eliminated on disposals	-	(29,282)	(29,282)	(53,205)
At end of year	8,898,304	1,657,722	10,556,026	9,132,089
Net book value				
At end of year	**£50,235,028**	**£2,824,702**	**£53,059,730**	£53,901,842
At beginning of year	£51,144,735	£2,757,107	£53,901,842	£54,202,506

The insured value of freehold land and buildings as at 30 June 2011 was £80,417,315 (2010: £80,417,315).

12 FIXED ASSET AND ENDOWMENT INVESTMENTS

	2011 £	2010 £
Balance at beginning of year	25,133,328	18,997,719
Additions at cost	3,622,116	4,898,534
Disposals at opening market value	(933,539)	(998,608)
Appreciation on disposals/revaluation	3,405,382	2,031,327
(Decrease)/increase in cash balances held by fund managers	(506,716)	204,356
Balance at end of year	£30,720,571	£25,133,328
Represented by:		
Quoted securities – equities	22,271,064	17,409,302
Quoted securities – fixed interest	6,980,190	5,747,993
Cash held for reinvestment	1,469,317	1,976,033
	£30,720,571	£25,133,328
Fixed asset investments	4,439,949	1,747,638
Endowment investments	26,280,622	23,385,690
	£30,720,571	£25,133,328

13 ENDOWMENT ASSETS

	2011 £	2010 £
Long-term investments:		
Quoted securities – equities	19,054,293	16,194,774
Quoted securities – fixed interest	5,971,533	5,352,818
Cash held for reinvestment	1,254,796	1,838,098
	£26,280,622	£23,385,690

14 STOCKS

	2011 £	2010 £
Goods for resale	165,746	£146,701

Notes to the Accounts for the year ended 30 June 2011

15	DEBTORS	2011	2010
		£	£
	Members of the College	113,043	116,847
	Trade debtors	50,790	56,507
	Taxation recoverable	68,523	23,417
	Sundry debtors	40,085	118,878
	Prepayments	63,251	50,589
		£335,692	£366,238

16	CASH	2011	2010
		£	£
	Current accounts	454,161	358,532
	Cash in hand	35,604	34,045
		£489,765	£392,577

17	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2011	2010
		£	£
	Trade creditors & accruals	388,848	300,496
	PAYE and Social Security	101,423	100,109
	VAT	8,862	8,370
	Students' deposits	106,867	105,504
	Other creditors	84,596	87,845
		£690,596	£602,324

18	CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2011	2010
		£	£
	Loan repayable 20th February 2017	2,500,000	2,500,000

19	PENSION LIABILITY	2011	2010
		£	£
	Balance at beginning of year	1,458,872	977,706
	Movement in year:		
	Current service cost including life assurance	417,702	265,077
	Contributions	(376,560)	(325,428)
	Other finance cost	32,151	64,290
	Actuarial (gain)/loss recognised in statement of total recognised gains and losses	(1,131,488)	477,227
	Balance at end of year	£400,677	£1,458,872

Notes to the Accounts for the year ended 30 June 2011

20 DEFERRED CAPITAL GRANTS	2011 Donations £	2010 Donations £
Balance at beginning of year:		
Buildings	10,033,081	7,277,882
Equipment	321,315	329,395
	£10,354,396	£7,607,277
Grants and donations received:		
Buildings	629,267	2,964,173
Equipment	-	5,582
Released to income and expenditure account:		
Buildings	(243,879)	(208,974)
Equipment	(14,216)	(13,662)
Balance at end of year:		
Buildings	10,418,469	10,033,081
Equipment	307,099	321,315
	£10,725,568	£10,354,396

Notes to the Accounts for the year ended 30 June 2011

21 **ENDOWMENTS**	**2011 Unrestricted Permanent**	**2011 Restricted Permanent**	**2011 Total Permanent**	**2011 Restricted Expendable**	**2011 Total**	2010 Total
Balance at beginning of year:	**£**	**£**	**£**	**£**	**£**	£
Capital	12,742,773	10,109,787	22,852,560	125,897	22,978,457	20,331,098
Unspent income	-	422,883	422,883	(15,650)	407,233	191,178
	£12,742,773	**£10,532,670**	**£23,275,443**	**£110,247**	**£23,385,690**	£20,522,276
New endowments received	-	315,385	315,385	-	315,385	582,213
Income from endowment asset investments	581,658	532,754	1,114,412	6,439	1,120,851	857,680
Expenditure	(581,658)	(327,719)	(909,377)	(14,924)	(924,301)	(693,384)
Net transfer (to)/from income and expenditure account	-	58,466	58,466	-	58,466	51,759
Bursary Compensation payment	43,071	-	43,071	-	43,071	36,505
Capital grant from Colleges Fund	251,000	-	251,000	-	251,000	244,000
Transfer from Reserves	(845,366)	-	(845,366)	-	(845,366)	120,213
Increase/(decrease) in market value of investments	1,565,510	1,294,151	2,859,661	16,165	2,875,826	1,664,428
Balance at end of year:						
Capital	13,756,988	11,699,635	25,456,623	117,927	25,574,550	22,978,457
Unspent income	-	706,072	706,072	-	706,072	407,233
	£13,756,988	**£12,405,707**	**£26,162,695**	**£117,927**	**£26,280,622**	£23,385,690
Representing:						
Fellowship Funds	-	4,672,538	4,672,538	-	4,672,538	3,792,088
Scholarship Funds	-	2,052,539	2,052,539	-	2,052,539	1,788,045
Prize Funds	-	289,885	289,885	-	289,885	245,191
Hardship Funds	-	3,119,723	3,119,723	-	3,119,723	2,718,285
Travel Grant Funds	-	392,108	392,108	-	392,108	341,047
Other Funds	-	1,878,914	1,878,914	117,927	1,996,841	1,758,263
General Endowments	13,756,988	-	13,756,988	-	13,756,988	12,742,771
	£13,756,988	**£12,405,707**	**£26,162,695**	**£117,927**	**£26,280,622**	23,385,690

Notes to the Accounts for the year ended 30 June 2011

22 RESERVES

	2011 General reserves	2011 Pension reserve	2011 Total	2010 Total
	£	£	£	£
Balance at beginning of year	43,098,276	(1,458,872)	41,639,404	42,158,654
Surplus/(deficit) retained for the year	136,559	(73,293)	63,266	(240,684)
Actuarial gain/(loss)	-	1,131,488	1,131,488	(477,227)
Increase in market value of investments	494,517	-	494,517	318,874
Transfer from/(to) Endowments	845,366	-	845,366	(120,213)
Balance at end of year	£44,574,718	£(400,677)	£44,174,041	£41,639,404

23 CAPITAL COMMITMENTS

	2011	2010
Commitments contracted for at 30 June	£ -	£ 28,250

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES

The College participates in three defined benefit schemes: the Universities Superannuation Scheme (USS), the Cambridge Colleges Federated Pension Scheme (CCFPS) and the Church of England Funded Pension Scheme (CEFPS), as follows:

Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme that is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. At 31 March 2011, USS had over 142,000 active members and the College had 45 active members participating in the scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, the cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest triennial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Universities Superannuation Scheme continued

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken all this into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Universities Superannuation Scheme continued
With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits that arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

The next formal triennial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the College was £95,421 (2010: £91,155). The contribution rate payable by the College was 16% of pensionable salaries.

Cambridge Colleges Federated Pension Scheme
The College is also a member of another multi-employer defined benefits scheme: the Cambridge Colleges Federated Pension Scheme. A full valuation was undertaken as at 31 March 2008 and updated to 30 June 2011 by a qualified independent Actuary. The principle actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2011	**2010**
	% p.a.	**% p.a.**
Discount rate	5.5	5.3
Expected long-term rate of return on scheme assets	6.2	6.2
Salary inflation assumption	3.2*	4.4
Retail Prices Index (RPI) assumption	3.4	3.4
Consumer Prices Index (CPI) assumption	2.7	n/a
Pension increases (RPI linked)	3.4	3.4
Pension increases (RPI linked capped at 5% p.a.)	3.2	3.2

***2.0% in 2011, 3.2% p.a. thereafter**

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

The underlying mortality assumption is based upon the standard table known as Self-administered Pension Schemes (SAPS) mortality tables for average normal pensioners projected in line with the CMI 2009 projection and a target long-term improvement rate of 0.75% p.a. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.7 years (previously 20.7 years)
- Female age 65 now has a life expectancy of 23.6 years (previously 23.5 years)
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.7 years (previously 21.8 years)
- Female age 45 now and retiring in 20 years would have a life expectancy then of 24.8 years (previously 24.5 years)

The amounts recognised in the balance sheet as at 30 June 2011 (with comparative figures as at 30 June 2010) are as follows:

	2011	**2010**
	£	**£**
Present value of scheme liabilities	(6,050,631)	(6,269,650)
Market value of Scheme assets	5,649,954	4,810,778
Deficit in the Scheme	**(400,677)**	**(1,458,872)**

The amounts to be recognised in profit and loss for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	**2010**
	£	**£**
Current service cost	417,702	265,077
Interest on Scheme liabilities	336,518	316,819
Expected return on Scheme assets	(304,367)	(252,529)
Total	**449,853**	**329,367**
Actual return on Scheme assets	678,190	540,751

Changes in the present value of the Scheme liabilities for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	**2010**
	£	**£**
Present value of Scheme liabilities at beginning of period	6,269,650	5,052,341
Service cost (including Employee contributions)	437,360	361,510
Interest cost	336,518	316,819
Actuarial losses/(gains)	(757,665)	765,449
Benefits paid	(235,232)	(226,469)
Present value of Scheme liabilities at end of period	**6,050,631**	**6,269,650**

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

Changes in the fair value of the Scheme assets for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	2010
	£	£
Market value of scheme assets at beginning of period	4,810,778	4,074,635
Expected return	304,367	252,529
Actuarial gains/(losses)	373,823	288,222
Contributions paid by the College	376,560	325,428
Employee contributions	19,658	96,433
Benefits paid	(235,232)	(226,469)
Market value of scheme assets at end of period	**5,649,954**	**4,810,778**

The agreed contributions to be paid by the College for the forthcoming year are 18.45% of Contribution Pay for non salary sacrifice members (24.8% of Contribution Pay for salary sacrifice members) plus £69,216 p.a. from 1 July 2011, subject to review at future actuarial valuations. This rate excludes PHI.

The major categories of scheme assets as a percentage of total scheme assets for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	2010
Equities & Hedge Funds	56%	58%
Bonds & Cash	36%	33%
Property	8%	9%
Total	**100%**	**100%**

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities and hedge funds of 7.1% (2010: 7.1%), property 6.1% (2010: 6.1%) and an expected rate of return on bonds & cash of 4.8% (2010: 4.7%).

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
Analysis of amount recognisable in statement of total recognised gains and losses (STRGL) for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	2010
	£	£
Actual return less expected return on scheme assets	373,823	288,222
Experience gains and losses arising on scheme liabilities	62,623	36,723
Changes in assumptions underlying the present value of scheme liabilities	695,042	(802,172)
Actuarial gain/(loss) recognised in STRGL	**1,131,488**	**(477,227)**

Cumulative amount of actuarial gains and losses recognised in STRGL for the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	2010
	£	£
Cumulative actuarial gain/(loss) at beginning of period	(1,297,372)	(820,145)
Recognised during the period	1,131,488	(477,227)
Cumulative actuarial loss at end of period	**(165,884)**	**(1,297,372)**

Movement in surplus/(deficit) during the year ending 30 June 2011 (with comparative figures for the year ending 30 June 2010) are as follows:

	2011	2010
	£	£
Surplus/(deficit) in scheme at beginning of year	(1,458,872)	(977,706)
Service Cost (Employer only)	(417,702)	(265,077)
Contributions paid by the College	376,560	325,428
Finance Cost	(32,151)	(64,290)
Actuarial gain/(loss)	1,131,488	(477,227)
Surplus/(deficit) in scheme at end of period	**(400,677)**	**(1,458,872)**

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

Amounts for the current and previous four accounting periods are as follows:	**Year ended 30 June 2011**	**Year ended 30 June 2010**	**Year ended 30 June 2009**	**Year ended 30 June 2008**	**Year ended 30 June 2007**
	£	**£**	**£**	**£**	**£**
Present value of scheme liabilities	(6,050,631)	(6,269,650)	(5,052,341)	(4,867,439)	(4,508,101)
Market value of scheme assets	5,649,954	4,810,778	4,074,635	4,161,635	4,077,660
Deficit in the scheme	**(400,677)**	**(1,458,872)**	**(977,706)**	**(705,804)**	**(430,441)**
Actual return less expected return on scheme assets	373,823	288,222	(603,140)	(488,789)	114,434
Experience gain/(loss) arising on scheme liabilities	62,623	36,723	10,489	163,867	(92,737)
Change in assumptions underlying present value of scheme liabilities	695,042	(802,172)	296,648	(82,817)	120,151

Notes to the Accounts for the year ended 30 June 2011

24 PENSION SCHEMES (Continued)

Church of England Funded Pension Scheme
The College participates in the Church of England Funded Pensions Scheme and employs 1 member of the Scheme out of a total membership of approximately 9,000.

The CEFPS is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities – each employer in the Scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of 867m, assessed using the following assumptions:

- An investment strategy of:
    - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
    - For investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.

- Investment returns of 4.4% p.a. on gilts and 5.9% on equities;
- RPI inflation of 3.8% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% p.a.; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the CEFPS, paragraph 9(b) of FRS17 requires the College to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

Following the results of the 2006 valuation, the College's contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011. The next valuation of the Scheme will be due as at 31 December 2012.

The total pension cost, after personal health insurance contributions, for the year to 30 June 2011 (see note 10) was as follows:

	2011	2010
	£	£
USS: Contributions	95,421	91,155
CCFPS: Charged to income and expenditure account	340,365	242,925
CEFPS: Contributions	8,435	8,384
	£444,221	£342,464

Notes to the Accounts for the year ended 30 June 2011

25 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of its Governing Body, it is inevitable that transactions will take place with organisations in which a member of the Governing Body has an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures.

26 PRIOR YEAR ADJUSTMENT

The College has adopted the new RCCA guidelines in the current year and therefore comparative figures have been restated to reflect the revised accounting policies. This has affected the classification of reserves as follows:

a) Deferred Capital Grants are now disclosed separately on the face of the balance sheet rather than as part of restricted reserves.
b) The classification of reserves between Expendable and Permanent Endowments has been revised.

The effect of these changes on the reserves of the College as at 30th June 2010 and 30th June 2009 is as follows:

	Restricted Permanent £	Restricted Expendable £	Unrestricted Permanent £	General Reserves £	Pension Reserve £	Total 2010 £	Total 2009 £
Reserves under previous accounting policies	19,650,536	1,337,197	36,551,003	19,299,626	(1,458,872)	75,379,490	70,288,207
Deferred Capital Grants	(9,616,326)	(731,506)	-	(6,564)	-	(10,354,396)	(7,607,277)
Reclassification between Permanent and Expendable	498,460	(495,444)	(23,808,230)	23,805,214	-	-	-
Reserves as restated	£10,532,670	£110,247	£12,742,773	£43,098,276	£(1,458,872)	£65,025,094	£62,680,930