Selwyn College, Cambridge

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

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 2012)

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 Christopher Briggs
Dr Uradyn E Bulag
Dr Nicholas J Butterfield
Dr Jack O Button
Professor R Stewart Cant
Dr Andrew N Chester
Professor Daping Chu
Professor William J Clegg
Dr Philip J Connell
Dr John S Dennis
Dr Sarah D Dewar-Watson
Mr Nicholas J A Downer
Professor David F Ford
Mr Peter K Fox
Dr Fabian Grabenhorst
Dr Keith J B Grainge
Dr Robert D Harding
Mrs Sarah B P Harmer
Professor David W Holton
Dr Gavin E Jarvis
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
Mr James A G McComish
Dr Sarah Meer
Professor John S Morrill
Dr James Moultrie
Dr Nikolaos Nikiforakis
Dr Janet A O'Sullivan
Dr Amer A Rana
Dr Vidyan Ravinthiran
Professor John D Ray
Dr Stewart O 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 Bjőrn F N Wallace
Dr David W E Willis
Dr Charlotte Woodford

JUNIOR MEMBERS

Glen Pearse (JCR President)
Thomas Walsh (JCR Treasurer)
Alistair Philpott (MCR President)
John McKean (MCR Treasurer)

Operating and Financial Review for the Year ended 30th June 2012

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 2012. 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 359 are undergraduates and 205 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 second overall in the QS World University Rankings for 2012. 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, and hosted six Open Days in 2011-12. The College participates enthusiastically in the Widening Participation and Aspiration-Raising programmes. The College also employs a Schools Liaison Officer, jointly with Homerton College, who undertakes an extensive programme of visits to schools and hosts events for schools in College. 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.

68% of students accepted by Selwyn for entry in October 2012 were from the maintained sector, compared with 73% the previous year. This remains well above the University target of 61-63% set by the Office for Fair Access. Over the year, the College spent £115,424 on access events, compared with £118,655 the previous year. Once admitted, students have access to several sources of financial aid. In 2011-12, a total of £227,644 was received by Selwyn students 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 £3,500 per year in addition to any government means-tested grants. Those with incomes of up to £42,600 receive amounts that taper to £50. In addition, the College paid out £68,990 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 continues to perform well academically, with 24.1% of Selwyn candidates obtaining first class honours in 2012, compared with 26.3% the previous year. 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.

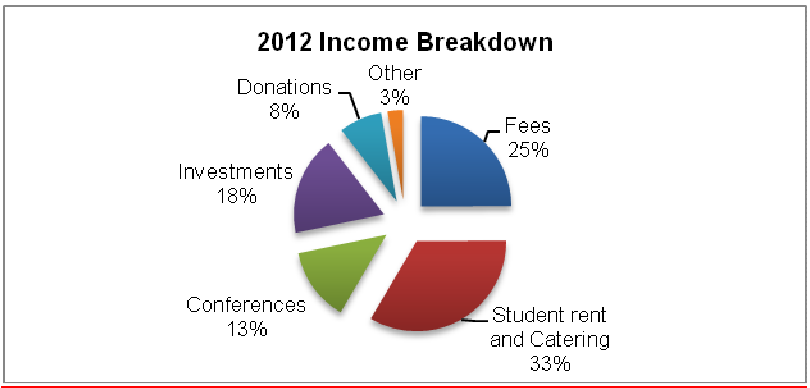
Acting on the powers in the Charities Act 2006, the Secretary of State removed the exempt status of the Colleges of Oxford and Cambridge on 1 June 2010. The College was then registered with the Charity Commission on 12 August 2010 (Registered Number: 1137517). The Governing Body is the trustee body for 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 2011-12:



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 2011-12, this payment, which accounted for 19.6% of total income, amounted to £1,437,408 (2010-11: £1,454,859) for some 364 students, including publicly-funded undergraduates, Clinical Medical, and Veterinary Students. In 2011-12, the College received £3,951 per publicly-funded undergraduate and set a fee of £5,604 for privately-funded undergraduates. The fee payable by all graduate students was £2,289. These fees are substantially below the actual cost of education, which was estimated by the Cambridge Colleges in 2010-11 as £7,587 per annum for an undergraduate and £3,825 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. It is too early to assess the impact of the new fee regime on student applications and welfare.

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 £2,514,093. The College received a grant of £221,000 in 2011-12 (2010-11: £251,000).

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 2011-12 was around £100 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 amounted to £1.0 million in 2011-12, representing 13% of total income, and down from £1.1 million in 2010-11, as the effects of recession continue to be felt. The business has grown substantially 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. With the Development Director now in post, 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.

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 £1.3 million or 18% of total income in 2011-12. 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 the College continues to favour strong levels of exposure to high quality global equities at a time when returns on cash are minimal. As explained below, the portfolio saw an increase in cash holdings as debt related to the refurbishment of Cripps Court was placed in the portfolio for temporary investment. Thus while nominal equity weightings have fallen from 76% last year to 62%, actual holdings have increased from £22.3 million in 2010-11 to £25.0m. The College's average annual return for the last three years has been 12.5%.

Financial review
The College is once again able to announce a resilient set of results in what remains an increasingly difficult operating environment. There remains a steady improvement in the underlying financial situation of the College. This has primarily resulted from continued rigorous cost control as income essentially remained unchanged. The College remains in structural deficit, but at a reduced level.

Income and Expenditure
In pure accounting terms, the College made a surplus of £189,927, up from a surplus of £63,266 last year. This figure is however flattered by a number of factors, not least the release of £0.31 million of deferred capital to the income statement and needs to be adjusted to gain an understanding of the underlying operational condition of the College. In the year to June 2012, the College recorded an underlying deficit of £416,521, which represented a 22% improvement over the previous year's deficit and a 37% improvement compared to 2010. This strong year-on-year improvement is heartening, especially in the current environment, but the College nonetheless remains in deficit.

	2012	**2011**	**2010**
	£	**£**	**£**
Net Surplus/ (Deficit)	**189,927**	**63,266**	**(240,684)**
FRS17 Pension Cost Adjustments	(60,939)	73,293	3,939
Unrestricted Donations Income	(257,630)	(273,957)	(225,024)
Release of Deferred Capital	(312,879)	(258,095)	(222,636)
Loan Interest	25,000	25,000	25,000
Special Dividend	-	(165,600)	-
Underlying Deficit	**(416,521)**	**(536,093)**	**(659,405)**

Benchmarking exercises with other Colleges suggest that Selwyn is amongst the most efficiently run. Whilst cost control 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 declined modestly from £7.41 million last year to £7.38 million. Elements of the College's business such as the conference and investment income remain vulnerable to the external economy and even small changes in student numbers can impact revenue adversely. The College is however pleased to report a corresponding reduction in total expenditure from £7.1 million to £7.0 million.

Fee income from and on behalf of undergraduate and graduate students rose by 1% to £1.84 million. This was lower than expected and results from a modest fall in student numbers, as applicants miss conditional offers or decline to accept a place. This increase however was matched by a 1% rise in expenditure on education to £2.68 million, resulting in a modest increase in the education deficit to £0.84 million.

Income from accommodation of College members rose by 5% to £1.74 million. The corresponding increase in related expenditure was limited to 1% to £1.96 million, resulting in a modest decline in the student accommodation deficit to £0.22 million. Long-term rent agreements with the junior members are intended to allow the College to break even on the rent account in the medium term.

Income from catering for College members was essentially unchanged at £0.74 million, whilst the related expenditure fell by 4% to £1.04 million, producing a student catering deficit of £0.30 million, down from £0.34 million. Student numbers in Hall are holding up well, with College data suggesting that 455 students used the Hall during Easter Term 2012, compared with 436 the year before. The average spend over the period declined by 5% to £3.50 per day, reflecting tighter budgets across the student population.

Investments
The College's investment portfolio amounted to £40.02 million at 30th June 2012, an increase of 30% on the year. The increase was however largely attributable to the inclusion of the proceeds of £6.8 million of borrowings incurred to help finance the refurbishment of Cripps Court, which have been placed in the portfolio temporarily pending utilisation. On a like-for-like basis, the portfolio rose by 1.1% as financial markets oscillated throughout the year. This modestly outperformed the performance of the WM Charity Fund Monitor, which fell by 1.8% and broadly matched the University Endowment Fund's return of 1.2%. Investment income declined somewhat over the year, falling from £1.41 million to £1.31 million in continuing difficult markets. If however the effect of last year's £0.17 million special dividend is eliminated, underlying investment income rose by 5.6%.

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 £257,630 in unrestricted donations, which form part of Endowment Income in the Income and Expenditure account; last year it received £273,957. In addition, the College received £3,271,403 in donations for capital purposes; last year it received £944,652.

Cash Flow
The College continues to focus on 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 recent years is to take the underlying deficit and add back the annual depreciation charge, as follows:

	2012	**2011**	**2010**
	£	**£**	**£**
Underlying Deficit	(416,521)	(536,093)	(659,405)
Depreciation Charge	1,482,662	1,453,219	1,412,394
Cash Flow	1,066,141	917,126	752,989
Change	16%	22%	137%

The strong recovery in cash flow from the low point of £0.32 million in 2009 is indeed welcome, and has again 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 £3.18 million, or 45% of total expenditure. This represented a 2.1% fall on the previous year, due to the non-replacement of certain retired staff and a fall in the conference activity led to the employment of fewer casual staff. Non-academic pay costs of £2.47 million fell by £26,000 and recoveries on teaching salaries led to academic pay costs falling by 6% to £0.71 million.

At 30th June 2012, the College employed 51 Fellows and 96 full-time equivalent staff, compared with 51 Fellows and 96 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 increase in the pension deficit as calculated by the actuary from £400,677 to £1,404,313 at 30th June 2012. The increase in the deficit is due to two main factors: lower than expected investment returns and changes in the FRS17 assumptions, mainly due to lower discount rates being only partly offset by lower inflation expectations. The increase in the deficit of £1,003,636 is shown in the accounts as follows:

	2012	**2011**	**2010**
	£	£	£
Income and Expenditure Account:	60,939	(73,293)	(3,939)
Statement of Total Recognised Gains and Losses:	(1,064,575)	1,131,488	(477,227)
Total (increase)/decrease	(1,003,636)	1,058,195	(481,166)

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.

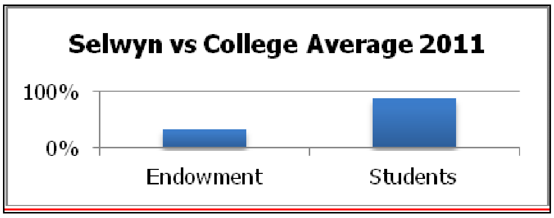
Balance Sheet
Liquid resources, excluding the proceeds of the borrowings referred to above, increased modestly from £0.49 million to £0.59 at the year-end. Debt increased from £2.5 million to £8.88 million, largely due to a loan of £6.2 million from an affiliate of the Cripps Foundation, which will be repaid from future donations from the Foundation. The College also took out a loan of £0.5 million from an alumnus, to assist with the refurbishment of Cripps Court. The loan of £2.5 million from the Ann D Foundation is due to be repaid in 2017. Land and buildings of £49.69 million and the investment portfolio of £40.02 million form the other main components of a balance sheet of £82.8 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 £1.48 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 £0.64 million, with a further investment of £0.28 million in fixtures, fittings and equipment.

The College has begun work on the refurbishment of Cripps Court. The timing has proved opportune, in that a competitive tender process for this two-year project has led to substantial reductions in the original anticipated cost. The project will cost £14.4 million, (including a contingency of £1.2 million) and will include an additional storey bringing 52 additional rooms, a new gymnasium and a music practice room. Following the refurbishment of Old Court some 12 years ago and the more recent construction of Ann's Court, this will bring all of the College's major buildings up to modern standards. This has however triggered increased levels of debt, as the College has, in addition to the borrowings described above, recently entered into a five year, £5 million revolving credit agreement with Barclays Bank to assist in the funding of the project. Nothing has been drawn down under this facility to date.

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 34% of the average endowment but almost 90% of the average student numbers:



In short, the College continues to punch above its weight but also continues to incur losses in its core businesses of educating, feeding and housing young people. The current level of endowment income is insufficient to offset these operating losses. 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 has long focussed on cost control and cash preservation. It recognises however 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 around £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. The full impact of the £9,000 undergraduate tuition fee is as yet unknown. Applications to Selwyn have not fallen materially in the first year following the introduction of the higher fee and it is hoped that they will not do so in the future. Reductions in post-graduate funding may have a more significant impact on student numbers in the years to come. The College anticipates that claims on its support funds will grow over time and that these will need to be strengthened.

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
September 2012

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 2012

We have audited the financial statements of Selwyn College for the year ended 30 June 2012, 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 12, 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 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 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 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 group's and the College's affairs as at 30 June 2012 and of the group's income and expenditure for the year then ended;

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

- have been prepared in accordance with the requirements of the Charities Act 2011, the College's Statutes and the Statutes of the University of Cambridge; and

- 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 2011 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: 18 December 2012

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 2012 and 2011 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 2012. 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 2012. 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	5-15 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 2012

	Note	2012		Restated 2011 (Note 26)
		£		£
INCOME				
Academic fees and charges	1	1,840,747		1,830,368
Residences, catering and conferences	2	3,454,400		3,469,266
Endowment and investment income	3	1,312,775		1,407,059
Donations	4	570,509		532,052
Other income	5	203,855		166,964
Total income		7,382,286		7,405,709
EXPENDITURE				
Education	6	2,676,198		2,661,765
Residences, catering and conferences	7	4,338,152		4,368,511
Interest payments		25,000		25,000
Other expenditure	8	380		32,151
Total expenditure	9a	7,039,730		7,087,427
Surplus on continuing operations before Contribution under Statute G,II		342,556		318,282
Contribution under Statute G,II		-		-
		342,556		318,282
Surplus for the year transferred to accumulated income in endowment funds	21	(152,629)		(255,016)
Surplus for the year retained within general reserves	**£**	**189,927**	£	63,266

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2012

	Note	Restricted Funds £	Un-restricted Funds £	2012 Total £		2011 Total £
Surplus on income and expenditure account		152,629	189,927	342,556		318,282
(Decrease)/increase in market value of investments						
Endowment assets	21	(235,903)	(536,644)	(772,547)		2,875,826
Fixed asset investments	22	-	(101,138)	(101,138)		494,517
New endowments	21	288,689	562,500	851,189		315,385
Bursary compensation payment		-	36,505	36,505		43,071
Capital grant from the Colleges Fund		-	221,000	221,000		251,000
Actuarial (loss)/gain in respect of pension schemes	24	-	(1,064,575)	(1,064,575)		1,131,488
Total recognised (losses)/gains relating to the year	**£**	**205,415**	**(692,425)**	**(487,010)**	£	5,429,569
Reconciliation						
Opening reserves and endowments		12,523,634	57,931,029	70,454,663		65,025,094
Total recognised (losses)/gains for the year		205,415	(692,425)	(487,010)		5,429,569
Closing reserves and endowments	**£**	**12,729,049**	**57,238,604**	**69,967,653**	£	70,454,663

Consolidated Balance Sheet as at 30 June 2012

	Note	**30 June 2012 £**	30 June 2011 £
Fixed assets			
Tangible assets	11	52,494,877	53,059,730
Investments	12	13,251,864	4,439,949
Endowment assets	13	26,769,398	26,280,622
Current assets			
Stocks	14	204,115	165,746
Debtors	15	411,778	335,692
Cash	16	593,501	489,765
		1,209,394	991,203
Creditors: amounts falling due within one year	17	1,885,664	690,596
Net current (liabilities)/assets		(676,270)	300,607
Total assets less current liabilities		91,839,869	84,080,908
Creditors: amounts falling due after more than one year	18	7,635,000	2,500,000
Net assets excluding pension liability		84,204,869	81,580,908
Pension liability	19	1,404,313	400,677
Net assets including pension liability		**£ 82,800,556**	£ 81,180,231

Represented by:		**Restricted Funds £**	**Un-restricted Funds £**	**30 June 2012 £**	30 June 2011 £
Deferred capital grants	20	12,832,903	-	12,832,903	10,725,568
Endowments					
Expendable endowments	21	105,676	-	105,676	117,927
Permanent endowments	21	12,623,373	14,040,349	26,663,722	26,162,695
		12,729,049	14,040,349	26,769,398	26,280,622
Reserves					
General reserves excluding pension reserve	22	-	44,602,568	44,602,568	44,574,718
Pension reserve	22	-	(1,404,313)	(1,404,313)	(400,677)
		-	43,198,255	43,198,255	44,174,041
Total Endowments and Reserves		12,729,049	57,238,604	69,967,653	70,454,663
Total funds		25,561,952	57,238,604	**£ 82,800,556**	£ 81,180,231

Approved by the Governing Body on 13 November 2012 and signed on their behalf by:

NJA Downer

N J A Downer
Bursar

Consolidated Cash Flow Statement for the year ended 30 June 2012

	Note	2012 £		2011 £
Operating activities				
Surplus on continuing operations before Contribution under Statute G,II		342,556		318,282
Depreciation of tangible fixed assets	11	1,482,662		1,453,219
Loss/(profit) on disposal of tangible fixed assets	8	380		(266)
Deferred capital grants released to income	20	(312,879)		(258,095)
Investment income	3	(1,312,775)		(1,407,059)
Interest payable		25,000		25,000
Movement in pension deficit	19	(60,939)		73,293
		164,005		204,374
Increase in stocks	14	(38,369)		(19,045)
(Increase)/decrease in debtors	15	(76,086)		30,546
Increase in creditors	17	1,195,068		88,272
Net cash inflow from operating activities		**1,244,618**		304,147
Returns on investments and servicing of finance				
Endowment and Investment income received	3	1,312,775		1,407,059
Interest paid		(25,000)		(25,000)
Net cash inflow from returns on investment and servicing of finance		**1,287,775**		1,382,059
Contribution to the Colleges Fund		**-**		-
Capital transactions and financial investment				
Purchases of investment assets		(10,174,376)		(2,216,900)
Proceeds of sale of tangible fixed assets	5	-		900
Payments to acquire tangible fixed assets	11	(918,189)		(611,741)
Donations for buildings and other capital grants received	20	2,420,214		629,267
New endowments received	21	851,189		315,385
Grants received from Colleges Fund		221,000		251,000
Bursary compensation payment		36,505		43,071
Net cash outflow from capital transactions		**(7,563,657)**		(1,589,018)
Long term loans received		**5,135,000**		-
Increase in cash in the year	**£**	**103,736**	£	97,188
Reconciliation of net cash flow to movement in net liquid assets				
Increase in cash in the year		103,736		97,188
Net funds at beginning of year		489,765		392,577
Net funds at end of year	16 **£**	**593,501**	£	489,765

Notes to the Accounts for the year ended 30 June 2012

1 ACADEMIC FEES AND CHARGES	2012	2011
COLLEGE FEES	**£**	£
Fee income paid on behalf of undergraduates at the Publicly-funded Undergraduate rate (per capita fee £3,951)	1,437,408	1,454,859
Privately-funded undergraduate fee income (per capita fee £5,604)	119,437	115,235
Fee income received at the Graduate fee rate (per capita fee £2,289)	283,902	260,274
	£1,840,747	£1,830,368

2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES		2012	2011
		£	£
Accommodation:	College members	1,740,614	1,652,590
	Conferences	607,133	681,776
Catering:	College members	741,551	748,180
	Conferences	365,102	386,720
		£3,454,400	£3,469,266

3 ENDOWMENT AND INVESTMENT INCOME	2012	2011
Income from:	**£**	£
Freehold land and buildings	71,879	71,698
Quoted securities		
Equities	1,029,317	1,118,825
Fixed interest	198,656	207,931
Cash	12,923	8,605
	£1,312,775	£1,407,059

Investment Management fees paid to J. M. Finn & Co. were £14,400 (2011: £13,950) and are included in Other Operating Expenses (Note 9a).

4 DONATIONS	2012	2011
	£	£
Unrestricted donations	257,630	273,957
Released from deferred capital grants (see note 20)	312,879	258,095
	£570,509	£532,052

5 OTHER INCOME	2012	Restated 2011
	£	£
From Isaac Newton Trust for Cambridge Bursaries	186,494	166,698
Profit on disposal of tangible fixed assets	-	266
Net return on pension scheme assets less liabilities	17,361	-
	£203,855	£166,964

Notes to the Accounts for the year ended 30 June 2012

6 EDUCATION EXPENDITURE	2012 £	Restated 2011 £
Teaching	1,576,621	1,585,803
Tutorial	330,621	338,514
Admissions	123,522	124,720
Access	115,424	118,655
Research	126,326	117,955
Scholarships and awards	68,990	40,346
Cambridge Bursaries (see note 5)	227,644	217,104
Other educational facilities	107,050	118,668
Total	£2,676,198	£2,661,765

7 RESIDENCES, CATERING AND CONFERENCE EXPENDITURE		2012 £	Restated 2011 £
Accommodation	- College members	1,959,645	1,938,024
	- Conferences	870,953	861,344
Catering	- College members	1,043,691	1,086,330
	- Conferences	463,863	482,813
Total		£4,338,152	£4,368,511

8 OTHER EXPENDITURE	2012 £	2011 £
Net return on pension scheme assets less liabilities	-	32,151
Loss on disposal of tangible fixed assets	380	-
	£380	£32,151

9a ANALYSIS OF 2011-12 EXPENDITURE BY ACTIVITY	Staff costs (note 10) £	Other Operating Expenses £	Depreciation £	Total £
Education (note 6)	1,264,281	1,156,045	255,872	2,676,198
Residences, catering and conferences (note 7)	1,916,122	1,195,240	1,226,790	4,338,152
Interest payments	-	25,000	-	25,000
Other expenditure (note 8)	-	380	-	380
	£3,180,403	£2,376,665	£1,482,662	£7,039,730

Other Operating Expenses includes £278,843 as costs of fundraising (2011: £187,011). This expenditure includes the cost of alumni relations.

9b ANALYSIS OF 2010-11 EXPENDITURE BY ACTIVITY	Restated Staff costs (note 10) £	Restated Other Operating Expenses £	Restated Depreciation £	Restated Total £
Education (note 6)	1,294,732	1,120,175	246,858	2,661,765
Residences, catering and conferences (note 7)	1,954,620	1,207,530	1,206,361	4,368,511
Interest payments	-	25,000	-	25,000
Other expenditure (note 8)	-	32,151	-	32,151
	£3,249,352	£2,384,856	£1,453,219	£7,087,427

9c AUDITORS' REMUNERATION	2012 £	2011 £
Other operating expenses include:		
Audit fees payable to the College's external auditors	13,970	13,337
Other fees payable to the College's external auditors	1,663	2,912
	£15,633	£16,249

Notes to the Accounts for the year ended 30 June 2012

10 STAFF

	2012 College Fellows £	**2012 Non-academic £**	**2012 Total £**	2011 Total £
Staff costs:				
Emoluments	566,211	2,065,877	2,632,088	2,633,889
Social Security costs	43,355	132,917	176,272	171,242
Other pension costs (see note 24)	99,897	272,146	372,043	444,221
	£709,463	£2,470,940	£3,180,403	£3,249,352

	Average staff nos.			Average staff nos.		
	Number of Fellows	Full-time equivalents	**2012 Total**	Number of Fellows	Full-time equivalents	2011 Total
Academic	50	-	50	50	-	50
Non-academic	1	96	97	1	96	97
	51	96	147	51	96	147

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 (2011: none).

Trustees' remuneration included above: £566,211 (2011: £608,840). The trustees receive no remuneration in their role as trustees of the charity.

Notes to the Accounts for the year ended 30 June 2012

11 TANGIBLE FIXED ASSETS

	2012 Land and buildings £	2012 Equipment £	2012 Total £	2011 Total £
Cost or valuation				
At beginning of year	59,133,332	4,482,424	63,615,756	63,033,931
Additions at cost	642,361	275,828	918,189	611,741
Disposals at cost/valuation	-	(52,545)	(52,545)	(29,916)
At end of year	59,775,693	4,705,707	64,481,400	63,615,756
Depreciation				
At beginning of year	8,898,304	1,657,722	10,556,026	9,132,089
Charge for the year	1,182,666	299,996	1,482,662	1,453,219
Eliminated on disposals	-	(52,165)	(52,165)	(29,282)
At end of year	10,080,970	1,905,553	11,986,523	10,556,026
Net book value				
At end of year	**£49,694,723**	**£2,800,154**	**£52,494,877**	£53,059,730
At beginning of year	£50,235,028	£2,824,702	£53,059,730	£53,901,842

The insured value of freehold land and buildings as at 30 June 2012 was £82,247,876 (2011: £80,417,315).

12 FIXED ASSET AND ENDOWMENT INVESTMENTS

	2012 £	2011 £
Balance at beginning of year	30,720,571	25,133,328
Additions at cost	6,300,260	3,622,116
Disposals at opening market value	(3,689,716)	(933,539)
(Depreciation)/appreciation on disposals/revaluation	(550,282)	3,405,382
Increase/(decrease) in cash balances held by fund managers	7,240,429	(506,716)
Balance at end of year	£40,021,262	£30,720,571
Represented by:		
Quoted securities – equities	24,971,705	22,271,064
Quoted securities – fixed interest	6,339,811	6,980,190
Cash held for reinvestment	8,709,746	1,469,317
	£40,021,262	£30,720,571
Fixed asset investments	13,251,864	4,439,949
Endowment investments	26,769,398	26,280,622
	£40,021,262	£30,720,571

13 ENDOWMENT ASSETS

	2012 £	2011 £
Long-term investments:		
Quoted securities – equities	16,709,245	19,054,293
Quoted securities – fixed interest	4,240,807	5,971,533
Cash held for reinvestment	5,819,346	1,254,796
	£26,769,398	£26,280,622

14 STOCKS

	2012 £	2011 £
Goods for resale	£204,115	£165,746

Notes to the Accounts for the year ended 30 June 2012

15 DEBTORS

	2012	2011
	£	£
Members of the College	120,950	113,043
Trade debtors	68,816	50,790
Taxation recoverable	86,819	68,523
Sundry debtors	74,561	40,085
Prepayments	60,632	63,251
	£411,778	£335,692

16 CASH

	2012	2011
	£	£
Current accounts	561,941	454,161
Cash in hand	31,560	35,604
	£593,501	£489,765

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Loan repayable 30th March 2013	1,240,000	-
Trade creditors and accruals	336,784	388,848
PAYE and Social Security	102,244	101,423
VAT	-	8,862
Students' deposits	122,197	106,867
Other creditors	84,439	84,596
	£1,885,664	£690,596

18 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2012	2011
	£	£
Loans repayable	£7,635,000	£2,500,000

19 PENSION LIABILITY

	2012	2011
	£	£
Balance at beginning of year	400,677	1,458,872
Movement in year:		
Current service cost including life assurance	355,335	417,702
Contributions	(398,913)	(376,560)
Other finance (income)/ cost	(17,361)	32,151
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	1,064,575	(1,131,488)
Balance at end of year	£1,404,313	£400,677

Notes to the Accounts for the year ended 30 June 2012

20 DEFERRED CAPITAL GRANTS

	2012 Donations £	2011 Donations £
Balance at beginning of year:		
Buildings	10,418,469	10,033,081
Equipment	307,099	321,315
	£10,725,568	£10,354,396
Grants and donations received:		
Buildings	2,375,851	629,267
Equipment	44,363	-
Released to income and expenditure account:		
Buildings	(295,845)	(243,879)
Equipment	(17,034)	(14,216)
Balance at end of year:		
Buildings	12,498,475	10,418,469
Equipment	334,428	307,099
	£12,832,903	£10,725,568

Notes to the Accounts for the year ended 30 June 2012

21 ENDOWMENTS

	2012 Unrestricted Permanent	2012 Restricted Permanent	2012 Total Permanent	2012 Restricted Expendable	2012 Total	2011 Total
Balance at beginning 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
New endowments received	562,500	288,689	851,189	-	851,189	315,385
Income from endowment asset investments	576,674	475,930	1,052,604	5,583	1,058,187	1,120,851
Expenditure	(576,674)	(336,294)	(912,968)	(27,523)	(940,491)	(924,301)
Net transfer from income and expenditure account	-	34,933	34,933	-	34,933	58,466
Bursary Compensation payment	36,505	-	36,505	-	36,505	43,071
Capital grant from Colleges Fund	221,000	-	221,000	-	221,000	251,000
Transfer from Reserves	-	-	-	-	-	(845,366)
(Decrease)/increase in market value of investments	(536,644)	(245,592)	(782,236)	9,689	(772,547)	2,875,826
Balance at end of year:						
Capital	14,040,349	11,749,599	25,789,948	105,676	25,895,624	25,574,550
Unspent income	-	873,774	873,774	-	873,774	706,072
	£14,040,349	**£12,623,373**	**£26,663,722**	**£105,676**	**£26,769,398**	£26,280,622
Representing:						
Fellowship Funds	-	4,784,321	4,784,321	-	4,784,321	4,672,538
Scholarship Funds	-	2,046,112	2,046,112	-	2,046,112	2,052,539
Prize Funds	-	292,898	292,898	-	292,898	289,885
Hardship Funds	-	3,177,770	3,177,770	-	3,177,770	3,119,723
Travel Grant Funds	-	433,837	433,837	-	433,837	392,108
Other Funds	-	1,888,435	1,888,435	105,676	1,994,111	1,996,841
General Endowments	14,040,349	-	14,040,349	-	14,040,349	13,756,988
	£14,040,349	**£12,623,373**	**£26,663,722**	**£105,676**	**£26,769,398**	£26,280,622

Notes to the Accounts for the year ended 30 June 2012

22 RESERVES

	2012 General reserves £	2012 Pension reserve £	2012 Total £	2011 Total £
Balance at beginning of year	44,574,718	(400,677)	44,174,041	41,639,404
Surplus retained for the year	128,988	60,939	189,927	63,266
Actuarial (loss)/gain	-	(1,064,575)	(1,064,575)	1,131,488
(Decrease)/increase in market value of investments	(101,138)	-	(101,138)	494,517
Transfer from Endowments	-	-	-	845,366
Balance at end of year	£44,602,568	£(1,404,313)	£43,198,255	£44,174,041

23 CAPITAL COMMITMENTS

At 30th June 2012 the College had no outstanding capital commitments (30th June 2011: Nil). However, after the Balance Sheet date the College signed a contract with Morgan Sindall PLC for the substantial refurbishment of Cripps Court. The work is to take place over two years commencing July 2012 and the contract sum is £9,479,605 (inclusive of VAT).

Notes to the Accounts for the year ended 30 June 2012

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 2012, USS had over 145,000 active members and the College had 42 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 surplus 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 2011. This was the second 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 2012 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

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

Notes to the Accounts for the year ended 30 June 2012

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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using 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 82%.

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

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

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

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

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

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

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

Notes to the Accounts for the year ended 30 June 2012

24 PENSION SCHEMES (continued)

Flexible Retirement
Flexible retirement options were introduced.

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

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

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

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

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 total pension cost for the College was £92,597 (2011: £95,421). The contribution rate payable by the College was 16% of pensionable salaries.

Notes to the Accounts for the year ended 30 June 2012

24 PENSION SCHEMES (continued)

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 2011 and updated to 30 June 2012 by a qualified independent actuary. The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2012	**2011**
	% p.a.	**% p.a.**
Discount rate	4.7	5.5
Expected long-term rate of return on scheme assets	5.6	6.2
Salary inflation assumption	2.2*	3.2**
Retail Prices Index (RPI) assumption	2.7	3.4
Consumer Prices Index (CPI) assumption	1.7	2.7
Pension increases (RPI linked)	2.7	3.4
Pension increases (RPI linked capped at 5% p.a.)	2.5	3.2

*** 1.5% in 2012 and 2013; 2.2% thereafter**
****2.0% in 2011, 3.2% p.a. thereafter**

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 2011 projection and a target long-term improvement rate of 0.75% p.a. The allowance for improvements has been updated from 2011 when the CMI 2009 projection table was adopted. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years.
- Female age 65 now has a life expectancy of 24.1 years.
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.8 years.
- Female age 45 now and retiring in 20 years would have a life expectancy then of 25.3 years.

The amounts recognised in the balance sheet as at 30 June 2012 (with comparative figures as at 30 June 2011) are as follows:

	2012	**2011**
	£	**£**
Present value of Scheme liabilities	(6,613,442)	(6,050,631)
Market value of Scheme assets	5,209,129	5,649,954
Deficit in the Scheme	**(1,404,313)**	**(400,677)**

Notes to the Accounts for the year ended 30 June 2012

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

The amounts to be recognised in income and expenditure for the year ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	**2011**
	£	**£**
Current service cost	355,335	417,702
Interest on Scheme liabilities	335,697	336,518
Expected return on Scheme assets	(353,058)	(304,367)
Total	**337,974**	**449,853**
Actual return on Scheme assets	(633,597)	678,190

Changes in the present value of the Scheme liabilities for the year ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	**2011**
	£	**£**
Present value of Scheme liabilities at beginning of period	6,050,631	6,269,650
Service cost (including Employee contributions)	376,696	437,360
Interest cost	335,697	336,518
Actuarial losses/(gains)	77,920	(757,665)
Benefits paid	(227,502)	(235,232)
Present value of Scheme liabilities at end of period	**6,613,442**	**6,050,631**

Changes in the fair value of the Scheme assets for the year ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	**2011**
	£	**£**
Market value of Scheme assets at beginning of period	5,649,954	4,810,778
Expected return	353,058	304,367
Actuarial (losses)/gains	(986,655)	373,823
Contributions paid by the College	398,913	376,560
Employee contributions	21,361	19,658
Benefits paid	(227,502)	(235,232)
Market value of Scheme assets at end of period	**5,209,129**	**5,649,954**

The agreed contributions to be paid by the College for the forthcoming year are 13.67% of Contribution Pay for non salary sacrifice members (20.02% of Contribution Pay for salary sacrifice members) plus £16,792 p.a. to cover expenses, subject to review at future actuarial valuations. These rates exclude PHI.

Notes to the Accounts for the year ended 30 June 2012

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued
The major categories of Scheme assets as a percentage of total Scheme assets at 30 June 2012 (with comparative figures at 30 June 2011) are as follows:

	2012	2011
Equities & Hedge Funds	66%	56%
Bonds & Cash	25%	36%
Properties	9%	8%

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 6.4% (2011: 7.1%), an expected rate of return on properties of 5.4% (2011: 6.1%) and an expected rate of return on bonds and cash of 3.7% (2011: 4.8%).

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL) for the 12 months ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	2011
	£	£
Actual return less expected return on scheme assets	(986,655)	373,823
Experience gains arising on scheme liabilities	12,584	62,623
Changes in assumptions underlying the present value of scheme liabilities	(90,504)	695,042
Actuarial (loss)/gain recognised in STRGL	**(1,064,575)**	**1,131,488**

Cumulative amount of actuarial gains and losses recognised in STRGL for the year ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	2011
	£	£
Cumulative actuarial loss at beginning of period	(165,884)	(1,297,372)
Recognised (loss)/gain during the period	(1,064,575)	1,131,488
Cumulative actuarial loss at end of period	**(1,230,459)**	**(165,884)**

Notes to the Accounts for the year ended 30 June 2012

24 PENSION SCHEMES (continued)

Cambridge Colleges Federated Pension Scheme continued

Movement in deficit during the year ending 30 June 2012 (with comparative figures for the year ending 30 June 2011) are as follows:

	2012	**2011**
	£	**£**
Deficit in scheme at beginning of year	(400,677)	(1,458,872)
Service Cost (Employer only)	(355,335)	(417,702)
Contributions paid by the College	398,913	376,560
Finance income/(cost)	17,361	(32,151)
Actuarial (loss)/gain	(1,064,575)	1,131,488
Deficit in scheme at end of period	**(1,404,313)**	**(400,677)**

Notes to the Accounts for the year ended 30 June 2012

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 2012 £**	**Year ended 30 June 2011 £**	**Year ended 30 June 2010 £**	**Year ended 30 June 2009 £**	**Year ended 30 June 2008 £**
Present value of scheme liabilities	(6,613,442)	(6,050,631)	(6,269,650)	(5,052,341)	(4,867,439)
Market value of scheme assets	5,209,129	5,649,954	4,810,778	4,074,635	4,161,635
Deficit in the scheme	**(1,404,313)**	**(400,677)**	**(1,458,872)**	**(977,706)**	**(705,804)**
Actual return less expected return on scheme assets	(986,655)	373,823	288,222	(603,140)	(488,789)
Experience gain arising on scheme liabilities	12,584	62,623	36,723	10,489	163,867
Change in assumptions underlying present value of scheme liabilities	(90,504)	695,042	(802,172)	296,648	(82,817)

Notes to the Accounts for the year ended 30 June 2012

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 2012 (see note 10) was as follows:

	2012	2011
	£	£
USS: Contributions	92,598	95,421
CCFPS: Charged to income and expenditure account	272,146	340,365
CEFPS: Contributions	7,299	8,435
	£372,043	£444,221

Notes to the Accounts for the year ended 30 June 2012

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 ADJUSTMENTS

The comparative prior year figures and supporting notes have been restated in accordance with the revised basis of cost allocations under the latest University guidance for completion of the Education Memorandum.

Under the latest University guidance income and expenditure in respect of grants received from the Isaac Newton Trust for Cambridge Bursaries are now shown grossed up within the Income and Expenditure Account and the prior year comparative figures have been restated accordingly.