CLARE HALL

CAMBRIDGE, CB3 9AL

Registered Charity Number 1137491

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Contents

Governing Body (The Trustees)

Year ended 30 June 2011

Visitor: The Vice-Chancellor of the Supreme Court, Sir Andrew Morritt, CVO

MEMBERS OF THE GOVERNING BODY

President: Sir Martin Harris

Fellows under Titles A, B, C and D (in order of Election)

Dr Murray Stewart	1982	Professor John Parker	2007
Professor Stefan Collini	1986	Dr Caspar Hirschi	2007
Dr Christopher Hope	1987	Dr Gian G Tartaglia	2007
Dr Rosemary Luff	1988	Dr Ayesha Nathoo	2007
Professor Julius Lipner	1990	Dr James Arnold	2008
Dr Daniela Rhodes	1992	Dr Ingrid Graz	2008
Professor Charles Smith	1993	Dr Christopher McNeill	2008
Dr Maria Spillantini	1994	Dr Luca Passamonti	2008
Dr Robert Carlyon	1996	Dr Olga Ulturgasheva	2008
Professor Barbara Sahakian	1996	Dr Durgesh Tripathi	2008
Professor John Barrow	1999	Professor Peter Markowich	2009
Professor Andrew Blake	2000	Dr Elizabeth Rowe	2009
Dr Adrian Owen	2000	Professor Alison Liebling	2009
Dr Bobbie Wells	2001	Mr Kofi Boakye	2009
Dr Trudi Tate	2001	Dr Dwaipayan Chakrabarti	2009
Dr Jonathon Pines	2001	Dr Mark Dickens	2009
Mr Stephen Bourne	2001	Dr Jonathan Grove	2009
Professor Jean-Claude Baron	2001	Dr Mercedes Hinton	2009
Professor Emilio Artacho	2002	Dr Sohini Kar-Narayan	2009
Professor Alan Short	2002	Dr Rénee Raphael	2009
Dr Anthony Street	2002	Dr Eli Sorensen	2009
Dr Ian Farnan	2002	Dr Michael Wilson	2009
Mrs Joanna Womack	2003	Dr Xiulai Xu	2009
Professor Hans-Friedrich Graf	2004	Mrs Moira Gardiner	2010
Dr Jessica Grahn	2004	Dr Frédéric Blanc	2010
Ms Suzana Ograjensek	2004	Dr Wai Yi Feng	2010
Professor Athanassios Fokas	2005	Dr Mark Gieles	2010
Dr Polly Ha	2005	Dr Holly High	2010
Dr Alexander Watson	2005	Dr Marco Polin	2010
Dr Robert Anderson	2006	Dr Jennifer Rampling	2010
Dr Lori Passmore	2006	Dr Dean Mobbs	2010
Dr Karen Ersche	2006	Professor Hasok Chang	2011

Two elected members of the Graduate Student Body: Mr Adam Turner and Mr Ryan Roberts.

Senior Officers of Clare Hall

President: Sir Martin Harris
Senior Tutor: Dr R S Wells
Senior Bursar: Mrs Moira Gardiner

Professional Advisors

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

Bankers
Barclays Bank plc
Bene't Street
Cambridge
CB4 3UT

Investment Fund Managers

The Charities Property Fund
c/o Carr Sheppards Crosthwaite
2 Gresham Street
London
EC2V 7QN

Lazard Asset Management Limited
50 Berkeley Street
London
W1J 8HA

Cambridge University Endowment Fund
University of Cambridge Investment Office
Daedalus House
26-30 Station Road
Cambridge
CB1 2RE

Solicitors
Kester Cunningham John
Chequers House
77 – 81 Newmarket Road
Cambridge
CB5 8EU

Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

Cambridge Employment Law LLP
Stratford House
Ousden
Newmarket
Suffolk
CB8 8TN

Clare Hall

Report of the Governing Body
Year ended 30 June 2011

The Governing Body is pleased to present its financial report for the year ended 30 June 2011.

Scope of the financial statements

The statements cover the activities of the College during the year ended 30 June 2011 and the net assets as at that date. The College has no subsidiaries.

In August 2010 Clare Hall became a registered charity, regulated by the Charity Commission, with registered charity number: 1137491. As a consequence of the College's registration, the format of the RCCA accounts has been amended and is now based on the *Further Education SORP.*

Aims and Objectives of the College

Clare Hall has the following aims:

- To remain an independent graduate college within the University of Cambridge, dedicated to advanced study;
- To bring together research scholars of different nationalities and academic disciplines and to promote academic research of the highest quality by Fellows and postgraduate students;
- To integrate fully into the fabric of academic life senior visitors who come to Cambridge on study leave together with their spouses and partners;
- To encourage interdisciplinary links between scholars from all over the world;
- To achieve excellence in education at postgraduate level; and
- To maintain and enhance the endowments and benefactions, buildings and grounds of the College for the benefit of future generations.

Public Benefit

The College's charitable objects are to advance education, learning and research in the University of Cambridge. The College has regard to the Charity Commission's guidance on public benefit and, inter alia, provides a number of free lectures, concerts and exhibitions for the benefit of the local and wider community.

Financial review

The results for the year ended 30 June 2011 are summarised as follows:

	2010-2011	2009-2010	Change, %
Income	3,001,124	2,259,198	32.8
Expenditure (before depreciation)	2,372,531	2,306,886	2.8
Surplus/(deficit) before depreciation	628,593	(47,688)	
Depreciation	348,016	322,484	16.2
(Deficit)/surplus on continuing operations	280,577	(370,172)	

Transfer from accumulated income within restricted expendable capital	(6,290)	(106,944)
Contribution under Statute G,II	-	-
Net Surplus/(deficit)	286,867	(263,228)

Summary

This year's result is a surplus of £628,593 before depreciation and a surplus of £286,867 after depreciation. The balance sheet is stronger by £1,936,542 over the previous year at £21,166,819.

Income and Expenditure Account

Income, at £3,001,124, is £741,926 higher than in the previous year and is attributable to the sale of operational property during the year amounting to £449,407. The underlying result after excluding this on-off gain is a deficit of £162,540.

This adjusted deficit represents a decrease of some £100k compared to the results for last year. Total income has increased by c. £293k, resulting in part from higher endowment income of £162k, itself attributable to increased donations and improved returns on the investment portfolio.

Donations which are deemed to be unrestricted are included in the Income and Expenditure account (£270,483 of Endowment Income total of £780,750); whereas donations, which are deemed to be restricted, do not appear here and instead are included in the Statement of Total Recognised Gains and Losses (STRGL), thus adding to the Balance Sheet. The remainder of £510,267 in Endowment Income represents the investment income (dividends and interest) deriving only from the unrestricted funds in the endowment, together with any interest earned on bank balances, and does not reflect any capital growth in the unrestricted funds.

Academic and fee income has remained largely static (a decrease of c. £7k). Academic income represented 14% of the adjusted income. However, residential and catering income has increased by c. £129k and is attributable to Salje Building accommodation becoming available at the beginning of October. Residential and Catering income represents 55% of adjusted income. 'Other Income' amounting to £9,267 relates to the defined benefit pension scheme for members of the College's support staff, the CCFPS, and is included in compliance with FRS17.

Total expenditure has also increased, but only by approximately £91k, which, even after the much lower transfer from accumulated income (£6k compared to £107k in 2010), has been more than offset by the increase in total adjusted income.

Staff costs overall amounted to £974,822(2010: £946,919), an increase of just under 3%. Salaries were kept under very close control this year in all Departments and the increase is attributable to the costs of an additional part-time member of staff and unavoidable increase in pension costs. The total number of academic staff was 50, of whom 8 were in receipt of a stipend (all part-time, ranging from 80% of full-time to a few hours per week), and the full-time equivalent number of non-academic staff was 28, one more than in the previous year.

The allocation of fixed costs to the separate heads of expenditure within Education has been calculated to reflect as accurately as possible the use of staff time and physical space.

Statement of Total Recognised Gains and Losses (STRGL)

The overall format of the STRGL has changed significantly under the new RCCA format with columns for restricted and unrestricted funds only. Figures for 2010 have been restated to enable comparison.

The STRGL shows an overall gain of just under £2m which brings the closing balance to almost £18.5m.

Under the new RCCA format, deferred capital grants are specifically excluded from the STRGL and the decrease of £58k therefore needs to be included in evaluating the total Balance Sheet movement of £1.94m and the closing position of just under £21.2m. The increase in Capital and Reserves results mainly from the appreciation in investment assets of just under £1.16m, which is as expected given the timing of the year end relative to stock market conditions at that time.

Other gains include a capital grant from the Colleges Fund £239,000 and £219,082 from benefactions and donations. These latter receipts reflect the tremendous success of the Telephone Campaign run by our Development Office in December 2010 together with a legacy from a former research fellow. In addition, a change in the assumptions underlying the present value of the pension scheme resulted in a positive flow of £49.5k but as always the valuation is very dependent on the timing of the year end and the actuarial assumptions.

Clare Hall

Balance Sheet

Under the RCCA format, there are some fairly substantial changes to the face of the Balance Sheet and supporting notes. Specifically, the closing value of the investment portfolio is now split between investments and endowment assets and Capital and Reserves are divided into deferred capital funds, endowments and reserves.

The increase in the Balance Sheet from £19.2m to £21.2m is explained in the STRGL. A value of £150k for heritage assets has also been reflected with the fixed asset note, being the estimated value of the Flame sculpture.

Capital expenditure and Refurbishments

During the year the College spent £471,026 on costs relating to the construction of the new Salje building at West Court, completed in October 2010 providing five flats for Visiting Fellows and thirteen student rooms..

Creditors have fallen by £169,986 from last year to £331,195 and includes a payment of £52,304 due to the University for Composition Fees.

In accordance with the guidelines laid down in FRS17, the Balance Sheet Net Assets now include the College's pension scheme position. The deficit of £48,778 last year has now been reversed and shows a surplus of £18,827.

Benefactions and Donations

The College records with gratitude the receipt of donations and benefactions totalling £458,082. This includes a capital grant of £239,000 from the Colleges Fund and £219,082 as specific donations.

The Endowment

A major change that happened during 2010-2011 relates to the College's £11m Endowment, and the investment of its funds. Until June 2010, the College had always used London-based fund-managers, latterly Lazards, to manage and invest the College's endowment of c.£11m. Towards the end of 2009-2010, the opportunity arose for the Cambridge Colleges to invest in the University's £1bn Endowment Fund (CUEF), managed by the University's own Investment Office (CUIO). Clare Hall was one of the first colleges to take that opportunity and £4,499,976 of our non-property endowment funds were transferred on 30 June 2010. The remaining £4,673,964 was transferred to CUEF in September 2010.

The CUEF is effectively a unit trust, in which the College has purchased units, and from which it receives a monthly dividend. The total number of units held with CUEF is 289,286 at £35.63 each. The distribution rate for the University's financial year to 31 July 2011 is £1.4543 per annum; and the distribution rate for the year to 31 July 2012 is £1.4853 per unit per annum.

The fund's investment objective is to achieve or exceed a long run average annual rate of total return equal to the Retail Prices Index (RPI) for each calendar year plus 5.25%, net of investment management costs. The fund has adopted a total return policy, determined by a hybrid rule with a long-term rate of 4.25% of capital value, sSo the investment objective is RPI+1% after distribution and costs. The asset allocation of the fund has been shifting since the CUIO took over the management of the fund in 2007, away from public equity and fixed interest, towards alternative asset classes. The asset allocation as at 31 July 2011 is shown below, but it must be remembered that this represents a transitional point towards a target asset allocation.

Asset Class	Allocation 2011	Allocation 2010
Public equities	61%	55%
Equity long/short	8%	
Real assets (including property)	12%	13%
Absolute return (including hedge funds)	10%	13%
Corporate credit	3%	11%
Fixed Income (including cash)	3%	7%
Private investments	3%	1%

The proportion of the College's endowment funds invested in the CUEF represent 88% of the total endowment funds. The remaining £1,409,508 continues to be held with the Charities Property Fund.

Statement of Investment Principles, including Ethical Investment Policy

Clare Hall's Statement of Investment Principles sets out the broad principles governing the College's investment policy. It has been approved by the Finance Committee which monitors compliance annually and by the Governing Body.

Clare Hall Investment Fund (CHIF) is an amalgamated fund which comprises permanent endowment and unrestricted funds held for the benefit of the College. Units in CHIF are held on behalf of the constituent funds as nearly as possible in proportion to their respective capital values as at 01 July 2003, the effective date of constitution of CHIF. Any new units are purchased at the 30 June year-end valuation.

The objectives of CHIF are:

- Payment of an annual dividend which grows at a rate at least equal to the annual rate of rise in College costs, measured, inter alia, by reference to the Higher Education Pay and Prices Index; and
- The maximum total return which is consistent with this objective and with an acceptable risk exposure.

Property is invested in the Charities Property Fund. The day-to-day management of non-property assets is delegated to the Cambridge University Endowment Fund (CUEF). Performance is monitored against a customised benchmark made up of 50% FTSE All-Share Index, 25% MSCI AC World Index and 25% FTA UK Government All Stocks Index. The WM unconstrained ex property Charity Universe is used as an additional benchmark in order to compare the investment managers' performance with that of their peers.

Clare Hall's Investment Policy reflects the belief that the interests of the College are, in general, best served by seeking to obtain the best financial return from investments, consistent with commercial prudence. Clare Hall follows the Charity Commission's guidance on ethical investments and will not engage financially with any company whose practices are considered to be in conflict with the purposes or aims of the College as a place of education, learning and research. The Finance Committee will seek to ensure that investments are not made that are judged likely to alienate the members or benefactors of the College. They may, from time to time, direct the College's Fund Manager or Managers not to invest in specific companies or classes of company for ethical reasons. The College encourages its Fund Managers to adopt investment processes which take social, ethical and environmental issues into account, where that can be done without jeopardising the long-term financial interests of the College. During the year, the College transferred the remainder of its non-property endowment assets to the CUEF.

The Finance Committee reviews the College's holdings on a regular basis to ensure that they are consistent with this Policy.

Cash flow and Treasury Management

At the end of the financial year the College continued to hold large balances of cash. These included an amount of £52,304 due to the University in respect of the balance of fees for 2010-2011 and the Colleges' Fund grant of £239,000. Surplus funds are invested by the College in short to medium-term Treasury holdings. At 30 June 2011, the College had an outstanding loan of £1.5m from Barclays Bank plc. £1m of this was taken out to help fund the acquisition and refurbishment of houses in Herschel Road, Cambridge in 2001. The balance was borrowed in January 2009. Short-term overdraft facilities have also been negotiated with Barclays Bank for use if required.

Reserves policy

The College aims to continue to meet its charitable objectives in perpetuity and to build up its Reserves so as to support this aim. General Capital is the College's undesignated reserve and the Building Fund and Kitchen Maintenance Reserve are the College's two principal designated reserves. Income from the General Capital Reserve is used to support the Income & Expenditure Account. The Building Fund represents money set aside annually for major capital works including repairs, refurbishments and improvements.

Risk assessment

The major risks to which the College is exposed, as identified by the Governing Body, have been reviewed and systems have been established to mitigate those risks. A Risk Register has been prepared for approval and continuing review by the Governing Body.

During the year the College has carried out its annual Health and Safety Review and a Fire Risk Assessment. Contractors have been on site to carry out Legionella testing and other regular testing including Fixed Wiring, Portable Appliances, Fire Alarms, emergency lighting and fire extinguishers. The new computerised system of Planned Preventative Maintenance continues to provide considerable benefit and there is improved maintenance and management of the pool and gym.

Energy Conservation

The College aims to reduce its energy consumption each year through use of energy-efficient boilers and lighting, improved insulation and reduced waste.

Corporate Governance

1. The following statement is provided by the Trustees [Governing Body] to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

2. The College is a registered charity (registered number 1137491) and subject to regulation by the Charity Commission for England and Wales. The members of the Governing Body are the charity trustees and are responsible for ensuring compliance with charity law.

3. The Governing Body is advised in carrying out its duties by a number of Committees.

   a) Council
   b) Finance
   c) Official Fellowship
   d) Fellowship

4. The principal officers of the College are.

   President: Sir Martin Harris
   Senior Tutor: Dr R S Wells
   Senior Bursar: Mrs Moira Gardiner

5. It is the duty of the Finance Committee to keep under review the effectiveness of the College's internal systems of financial and other controls; to advise the Governing Body on the appointment of external auditors; to consider reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; to make an annual report to the Governing Body. Membership of the Finance Committee includes the President, Vice President and Bursar ex officio, plus 4 other members of GB, to include the Senior Tutor, or a Tutor. GSB President in attendance.

6. There are Registers of Interests of Members of the Governing Body, the Finance Committee and of the senior administrative officers. Declarations of interest are made systematically at meetings.

7. The College's Members of the Governing Body during the year ended 30 June 2011 are set out on page 1.

Statement of Internal Control

1. The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

3. The systems of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2011 and up to the date of approval of the financial statements.

4. The Governing Body is responsible for reviewing the effectiveness of the system of internal control. As Part of its supervision of the College's activities, the Finance Committee identifies and considers the major risks to which the College is exposed, and establishes systems and procedures to manage those risks which have been categorised as follows: Owning and operating buildings; Information technology; Legislation and regulation; Academic and pastoral care; and Financial management.

5. The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, Bursar, and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

On behalf of the Governing Body:

Sir Martin Harris	Mrs Moira Gardiner
President	Bursar

Statement of Responsibilities of the Governing Body

Founded in 1966 as a centre for advanced study, Clare Hall is a graduate college in the University of Cambridge and an exempt charity. It was incorporated by Royal Charter on 22 October 1984 and is an autonomous, self-governing community of scholars. In accordance with its Statutes, the control of the College as a place of education, learning and research is vested in the Governing Body, which is responsible for administering the College's estates and property. The Finance Committee consists of the President, the Vice President, the Bursar and four other members of the Governing Body elected by the Governing Body. The Finance Committee exercises the authority delegated to it by the Governing Body to manage, in accordance with general policies laid down from time to time by the Governing Body, the land, property and investments of the College and its financial affairs in general and to direct the Bursar in the performance of her financial duties.

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

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; and
- 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 Clare Hall
Year ended 30 June 2011

We have audited the financial statements of Clare Hall for the year ended 30 June 2011 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and related notes. The financial reporting frame work 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 Governing Body's Responsibilities Statement 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 Report of the Governing Body 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 College's affairs as at 30 June 2011 and of its 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.

Independent Auditors' Report to the Governing Body of Clare Hall, continued
Year ended 30 June 2011

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 Report of the Governing Body 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

Chartered Accountants and Statutory Auditors

Date:

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
Year ended 30 June 2011

Basis of preparation
The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom accounting standards. In addition, the financial statements comply with 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 8.

Basis of accounting
The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments and heritage assets which are included at valuation.

Consolidation
The College has no subsidiaries. The financial statements do not include the activities of student societies.

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

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

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.

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.

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

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.

Statement of Principal Accounting Policies, Year ended 30 June 2011, continued

Foreign currency translation
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates or, where there are forward foreign exchange contract, at contract rates. The resulting exchange differences are dealt with in the determination of the income and expenditure for the financial year.

Tangible fixed assets

Land and buildings
Operational land and buildings are stated at depreciated replacement cost. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

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 permanent capital.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

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. They are not depreciated until they are brought into use.

The cost of additions to operational property shown in the balance sheet includes the cost of land.

Maintenance of premises
The College has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred. The College also sets aside sums on a regular basis to meet major maintenance costs which occur on an irregular basis.

Furniture, fittings and equipment
Furniture, fittings and equipment costing less than £5,000 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 life as follows:

Plant and machinery	4% per annum
Furniture and fittings	15% per annum
Motor vehicles and general equipment	20% per annum
Computer equipment	25% per annum

Rare books, silver, works of art and other assets not related to education
Assets deemed to be inalienable are not included in the balance sheet.

Leased assets
Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal amounts over the periods of the leases.

Statement of Principal Accounting Policies, Year ended 30 June 2011, continued

Heritage assets
The College Holds and conserves a number of collections, exhibits, artefacts and other assets of historical artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets) heritage assets acquired before 1 July 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 July 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Investments
Fixed asset investment and endowment assets are included in the balance sheet at market value.

Stocks
Stocks are valued at the lower of cost and net realisable value.

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.

Taxation
The College is a registered charity (number 1137491) and 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.

Statement of Principal Accounting Policies, Year ended 30 June 2011, continued

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, a defined benefit scheme, the assets of which are held in a separate, trustee-administered fund. Pension costs are assessed on the latest actuarial valuation of the scheme. The contribution rates current as at 30 June 2011 were 16.07% employer and 5% employee.

Income & Expenditure Account
Year ended 30 June 2011

		2011	2010
		£	£
INCOME	Note	Total	Total
Academic fees and charges	1	362,571	370,065
Residences, catering and conferences	2	1,399,129	1,270,217
Endowment income	3	780,750	619,020
Other income	4	9,267	(104)
Profit on disposal of operational property		449,407	-
Total income		3,001,124	2,259,198
EXPENDITURE			
Education	5	812,283	825,336
Residences, catering and conferences	6	1,663,262	1,558,496
Other expenditure	7	245,002	245,538
Total expenditure		2,720,547	2,629,370
Operating surplus/(deficit)		280,577	(370,172)
Contribution under Statute G,II		-	-
Transfer from accumulated income within restricted expendable capital		6,290	106,944
NET SURPLUS/(DEFICIT)		286,867	(263,228)

Statement of Total Recognised Gains and Losses
Year ended 30 June 2011

	Restricted funds	Unrestricted funds	Total 2011	Restated Total 2010
	£	£	£	£
Balance b/f 1.7.2010	6,603,732	12,476,545	19,080,277	17,824,096
Prior year adjustment – see note 23	(2,751,532)	150,000	(2,601,532)	(2,444,004)
Restated Balance b/f 1.7.2010	3,852,200	12,626,545	16,478,745	15,380,092
Appreciation of investment assets	401,972	755,280	1,157,252	1,433,280
Retained surplus/(deficit) for the year	-	286,867	286,867	(263,228)
Unspent trust or other restricted fund income released by funds	51,292	(40,000)	11,292	(166,192)
Benefactions and donations	-	219,082	219,082	-
Capital Grants received from Colleges Fund	-	239,000	239,000	163,500
Actuarial return less expected return on pension scheme assets	-	28,123	28,123	99,639
Changes in assumptions underlying the present value of the scheme liabilities	-	49,502	49,502	(200,074)
Experience gains and losses arising on scheme liabilities	-	3,006	3,006	31,728
Total recognised gains for the year	453,264	1,540,860	1,994,124	1,098,653
Balance c/f 30.6.2011	4,305,464	14,167,405	18,472,869	16,478,745

Clare Hall

Balance Sheet as at 30 June 2011

	Note	2011 £	Restated 2010 £
FIXED ASSETS			
Tangible assets	9	8,787,298	8,807,991
Investments	10	2,100,536	1,920,338
		10,887,834	10,728,329
ENDOWMENT ASSETS	11	9,615,116	8,638,063
CURRENT ASSETS			
Stocks		66,472	69,947
Debtors	12	256,568	276,723
Cash	13	2,153,197	1,567,174
		2,476,237	1,913,844
Creditors: amounts falling due within one year	14	(331,195)	(501,181)
Net current assets		2,145,042	1,412,663
Total assets less current liabilities		22,647,992	20,779,055
Creditors: amounts falling due after more than one year	15	(1,500,000)	(1,500,000)
Net assets excluding pension surplus/(deficit)		21,147,992	19,279,055
Pension surplus/(deficit) of CCFPS	20	18,827	(48,778)
Net assets including pension surplus/(deficit)		21,166,819	19,230,277

CAPITAL AND RESERVES		Restricted funds £	Unrestricted funds £	2011 £	2010 £
Deferred Capital Grants	16	2,693,950	-	2,693,950	2,751,532
Endowments					
Expendable endowments	17	984,645	-	984,645	870,495
Permanent endowments	17	3,320,819	5,309,652	8,630,471	7,767,568
		4,305,464	5,309,652	9,615,116	8,638,063
Reserves					
General reserves excluding pension reserve	18	-	8,838,926	8,838,926	7,889,460
Pension reserve	18	-	18,827	18,827	(48,778)
		-	8,857,753	8,857,753	7,840,682
Subtotal		4,305,464	14,167,405	18,472,869	16,478,745
TOTAL		6,999,414	14,167,405	21,166,819	19,230,277

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

Sir Martin Harris
President

Mrs M Gardiner
Bursar

Clare Hall

Cash Flow Statement
Year ended 30 June 2011

	Note	2011	2010
		£	£
OPERATING ACTIVITIES			
Net surplus/(deficit)		286,867	(263,228)
Depreciation	9	374,752	322,484
Profit on disposal of operational property		(449,407)	-
Investment income	3	(510,267)	(394,427)
Interest payable		72,537	72,528
Movement in pension surplus		13,026	5,005
Decrease/(increase) in stocks		3,475	(16,760)
Decrease/(increase) in debtors		20,155	(37,694)
(Decrease)/increase in creditors		(169,992)	19,382
Net outflow from operating activities		**(358,854)**	**(292,710)**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Endowments	3	510,267	394,427
Retained endowment income		(46,290)	(170,444)
Interest paid		(72,537)	(72,528)
Net cash inflow from returns on investment and servicing of finance		**391,440**	**151,455**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Donations and benefactions		219,082	143,063
Capital Grant received from Colleges Fund		239,000	163,500
Receipt from sale of fixed assets		566,374	-
Total capital receipts		1,024,456	306,563
Payments to acquire tangible fixed assets		(471,026)	(1,699,568)
Payments to acquire investment assets		-	(499,999)
Total capital expenditure		(471,026)	(2,199,567)
Net cash inflow/(outflow) from investing activities		**553,430**	**(1,893,004)**
Long term loans received		-	-
Net cash inflow from financing		-	-
Increase/(decrease) in cash in the period		**586,016**	**(2,034,259)**

Reconciliation of net cash flow to movement in net liquid assets	Note	2011	2010
Increase/(decrease) in cash in the period	13	586,016	(2,034,259)
Change in long term loan		-	-
Net change		586,016	(2,034,259)
Net debt at 1 July 2010		67,174	2,101,433
Net debt at 1 July 2011		653,190	67,174

Notes to the Accounts for the year ended 30 June 2011:

1 ACADEMIC FEES AND CHARGES	2011	2010
COLLEGE FEES	£	£
Undergraduate fee income	16,800	12,573
Graduate fee income (per capita fee £2,229)	345,771	357,492
Total	362,571	370,065

2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES		2011	2010
		£	£
Accommodation	College members	1,299,360	1,134,277
	Conferences	-	-
Catering	College members	99,769	135,940
	Conferences	-	-
Total		1,399,129	1,270,217

3 ENDOWMENT INCOME			2011	2010
	Income from restricted funds for collegiate purposes	**Income from unrestricted funds**	**Total**	**Total**
Income from:	**£**	**£**	**£**	**£**
Diversified Charity Fund	16,452	30,918	47,370	296,110
Cambridge University Endowment Fund	127,150	238,958	366,108	-
Charity Property Fund	33,615	63,174	96,789	79,600
Cash	-	-	-	18,717
Donations and benefactions	137,141	133,342	270,483	224,593
Total	314,358	466,392	780,750	619,020

4 OTHER INCOME	2011	2010
	£	**£**
Net Finance income in respect of defined benefit pension scheme	9,267	(104)
Total	9,267	(104)

5 EDUCATION EXPENDITURE	2011	2010
	£	**£**
Teaching	35,196	34,412
Tutorial	122,170	110,510
Admissions	53,362	48,525
Research	334,477	351,042
Scholarships and awards	69,439	99,068
Other educational facilities	197,639	181,779
Total	812,283	825,336

Notes to the Accounts for the year ended 30 June 2011:

6 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

		2011	2010
		£	£
Accommodation	College members	1,344,376	1,251,215
	Conferences	-	-
Catering	College members	318,886	307,281
	Conferences	-	-
Total		1,663,262	1,558,496

7 OTHER EXPENDITURE

	2011	2010
	£	£
Punt	141	234
Vending Machines	4,350	3,641
Fellows Commons	23,322	27,054
Student Meals Subsidy	30,544	34,090
Development Office Salaries	129,402	113,475
Art Fund	311	3,022
Music Series	7,192	8,012
Development Account	49,740	56,010
Total	245,002	245,538

8a ANALYSIS OF 2010/11 EXPENDITURE BY ACTIVITY

	Staff costs (note 19)	Other operating expenses	Depreciation	Total
	£	£	£	£
Education (note 5)	335,538	435,672	41,073	812,283
Residences, catering and conferences (note 6)	514,764	814,819	333,679	1,663,262
Other (note 7)	124,520	120,482	-	245,002
	974,822	1,370,973	374,752	2,720,547

8b ANALYSIS OF 2009/10 EXPENDITURE BY ACTIVITY

	Staff costs (note 19)	Other operating expenses	Depreciation	Total
	£	£	£	£
Education (note 5)	340,097	449,895	35,344	825,336
Residences, catering and conferences (note 6)	498,430	772,926	287,140	1,558,496
Other (note 7)	108,392	137,146	-	245,538
	946,919	1,359,967	322,484	2,629,370

Expenditure includes £156,406 as the costs of fund raising (2010: £146,050). This expenditure includes the costs of alumni relations.

8c AUDITORS' REMUNERATION

	2011	2010
	£	£
Other operating expenses include:		
Audit fees payable to the College's external auditors	9,508	9,717
Other fees payable to the College's external auditors	3,777	460
	13,285	10,177

The amounts above are stated inclusive of VAT.

Notes to the Accounts for the year ended 30 June 2011:

9 TANGIBLE FIXED ASSETS	Freehold land and buildings	Infrastructure and equipment	Heritage assets	Restated Total 2011
	£	£	£	£
VALUATION				
As at 1st July 2010	9,972,051	971,721	150,000	11,093,772
Additions at cost	471,026	-	-	471,026
Eliminations	(143,703)	-	-	(143,703)
Valuation as at 30th June 2011	10,299,374	971,721	150,000	11,421,095
DEPRECIATION				
As at 1st July 2010	2,074,585	211,196	-	2,285,781
Charge for the year	313,792	60,960	-	374,752
Eliminations	(26,736)	-	-	(26,736)
Provision for depreciation as at 30th June 2011	2,361,641	272,156	-	2,633,797
Net book value as at 30th June 2011	7,937,733	699,565	150,000	8,787,298
Net book value as at 30th June 2010	7,897,466	760,525	150,000	8,807,991

The College's operational buildings are insured for a rebuilding cost of £22,301,597 (2010: £22,590,989).
There has been no movement in heritage assets during the past five years.

10 INVESTMENT ASSETS	2011	2010
	£	£
Balance at 1st July 2010	10,558,401	8,606,406
Additions	4,956,320	4,999,975
Disposals	(4,956,320)	(4,499,976)
Appreciation on revaluation	1,157,251	1,451,996
Balance at 30th June 2011	11,715,652	10,558,401
Represented by:		
Charities Property Fund	1,409,508	1,384,461
Cambridge University Endowment Fund	10,306,144	4,499,976
Diversified Charity Fund – UK equities	-	1,766,758
Diversified Charity Fund – Overseas equities	-	962,837
Diversified Charity Fund – Fixed interest	-	911,423
Diversified Charity Fund – Cash	-	1,032,946
Total	11,715,652	10,558,401
Disclosed as:		
Investments	2,100,536	1,920,338
Endowment assets (see note 11)	9,615,116	8,638,063
	11,715,652	10,558,401

11 ENDOWMENT ASSETS	2011	2010
	£	£
Investments (see note 10)	9,615,116	8,638,063

Notes to the Accounts for the year ended 30 June 2011:

12 DEBTORS	2011	2010
	£	£
Members of College	145,824	106,472
Sundry debtors	110,744	170,251
	256,568	276,723

13 CASH	2011	2010
	£	£
Short-term money market investments	1,015,940	1,000,000
Bank current accounts	1,135,609	563,654
Cash in hand	1,648	3,520
	2,153,197	1,567,174

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2011	2010
	£	£
Members of College	118,045	102,743
Trade creditors	138,608	299,889
Cambridge Foundation exp. allocation	4,633	7,376
Tax and pension funds	17,605	21,947
University composition fees	52,304	69,226
	331,195	501,181

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2011	2010
	£	£
Bank loans	1,500,000	1,500,000
	1,500,000	1,500,000

16 DEFERRED CAPITAL GRANTS		2011	2010
	Donations	Total	Total
	£	£	£
Buildings:			
Balance at beginning of year	2,751,532	2,751,532	2,594,004
Grants and donations received	-	-	161,780
Released to income and expenditure account	(57,582)	(57,582)	(4,252)
	2,693,950	2,693,950	2,751,532

Notes to the Accounts for the year ended 30 June 2011:

17 ENDOWMENTS

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Total 2011	Total 2010
	£	£	£	£	£	£
Balance at beginning of year:						
Capital	4,785,865	2,978,270	7,764,135	689,217	8,453,352	6,805,952
Unspent income	-	3,433	3,433	181,278	184,711	303,930
	4,785,865	2,981,703	7,767,568	870,495	8,638,063	7,109,882
New Endowments received	418,082	-	418,082	-	418,082	100,000
Income received from endowment asset investment	231,049	143,947	374,996	33,270	408,266	296,847
Expenditure	(231,267)	(131,264)	(362,531)	5,340	(357,191)	(416,066)
Net transfer (to)/from income and expenditure account	(218)	12,683	12,465	38,610	51,075	(119,219)
Transfers	(418,084)	-	(418,084)	-	(418,084)	400,000
Increase in market value of investments	524,007	326,433	850,440	75,540	925,980	1,147,400
Balance at end of year	5,309,652	3,320,819	8,630,471	984,645	9,615,116	8,638,063
Comprising:						
Capital	5,309,652	3,304,703	8,614,355	764,757	9,379,112	8,453,352
Unspent income	-	16,116	16,116	219,888	236,004	184,711
Balance at end of year	5,309,652	3,320,819	8,630,471	984,645	9,615,116	8,638,063
Representing:						
Fellowship Funds	-	3,197,897	3,197,897	846,723	4,044,620	3,599,380
Scholarship Funds	-	-	-	3,000	3,000	3,000
Prize Funds	-	-	-	-	-	-
Hardship Funds	-	-	-	-	-	-
Bursary Funds	235,351	26,949	262,300	22,424	284,724	303,365
Other Funds	-	95,973	95,973	112,498	208,471	159,245
General Endowments	5,074,301	-	5,074,301	-	5,074,301	4,573,073
	5,309,652	3,320,819	8,630,471	984,645	9,615,116	8,638,063

18 RESERVES

	General Reserves	Total 2011	Restated Total 2010
	£	£	£
Balance at beginning of year	7,840,682	7,840,682	8,270,210
Surplus/(deficit) retained for the year	286,867	286,867	(263,228)
Actuarial gain/(loss)	80,631	80,631	(68,707)
Increase in market value of investments	231,271	231,271	304,597
Benefactions and donations	418,302	418,302	(22,089)
Transfers	-	-	(380,101)
	8,857,753	8,857,753	7,840,682

Notes to the Accounts for the year ended 30 June 2011:

19 STAFF

	College fellows	Other academic	Non-academic	Total 2011	Total 2010
	£	£	£	£	£
Staff costs:					
Emoluments	156,713	300	647,117	804,130	786,050
Social security costs	14,371	-	53,603	67,974	65,090
Other pension costs	18,799	-	83,919	102,718	95,779
	189,883	300	784,639	974,822	946,919
Average staff numbers:					
Academic	50	-	-	50	50
Non-academic (full-time equiv.)	-	-	28	28	27
	50	-	28	78	77

	2011	2010
	£	£
Trustees' remuneration included above	175,512	185,519

The trustees receive no remuneration in their role as trustees of the charity.

Of the 50 fellows declared above 8 are stipendary.
No officer or employee of the College, including the Head of House, received emoluments of over £70,000.

20 PENSION SCHEMES

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS). The total pension cost for the period was £102,718 (2010: £93,314).

Universities Superannuation Scheme
The Universities Superannuation Scheme (USS) is 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 fund administered by the trustee, Universities Superannuation Scheme Ltd. USS has over 130,000 active members and the institution has eight active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The college is therefore exposed to actuarial risks associated with other institutions' employees and 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 "Retirements 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 latest triennial actuarial 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.

Notes to the Accounts for the year ended 30 June 2011:

20 PENSION SCHEMES continued

The triennial valuation was carried out using the projection unit method. The assumptions which have the most significant effect on the result of the 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.

Standard Mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - no age rating

Use of these mortality tables reasonably reflects the actual USS experience, but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement age 65 are:

Males (Females) currently aged 65	22.8 (24.8) years
Males (Females) currently aged 45	24.0 (25.9) years

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 deficit of £707.3 million. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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 Pensions Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the Scheme 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 provision relates 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 out performance 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 institution contribution rate required for future service benefits alone at the date of the valuation was 16% of 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.

Notes to the Accounts for the year ended 30 June 2011:

20 PENSION SCHEMES continued

Since 31 March 2008 global investment markets have continued to fluctuate and as 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 this all 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.

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 5.4% per annum based on spot yields, the actuary estimated 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, which arise at future valuations, may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on Scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Increase/decrease by £2.2 billion
Rate pension increase	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at valuation)	Increase by £1.6 billion

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 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 trustee believes that over the long-term equity investment and investment in selected alternative investment classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to these liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the view of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provision close to or above 100%, thereby minimising the risk of introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

Notes to the Accounts for the year ended 30 June 2011:

20 PENSION SCHEMES continued

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS has over 142,000 active members and the institution had seven active members participating in the scheme.

The total pension cost for the College was £46,074 (2010:£34,588). The contribution rate payable by the College was 16% of pensionable salaries.

Cambridge Colleges Federated Pension Scheme
The College is a member of a multi-employer defined benefit scheme, the Cambridge Colleges Federated Pension Scheme, in the United Kingdom. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. The scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004. The College's employees covered by the scheme are contracted into the State Second Pension (S2P).

The contributions made by the College, including PHI, in respect of the year ended 30 June was £48,071 (2010:£47,488). The contribution rate payable by the College was 16.07% of pensionable salaries.

A full valuation was undertaken as at 31 March 2008 and updated to 30 June 2011 by a qualified Independant Actuary.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	30 June 2011	**31 March 2010**	**31 March 2009**	**31 March 2008**	**31 March 2007**
Discount rate	5.50%	5.60%	6.40%	6.60%	5.40%
Inflation assumption	3.40%	3.70%	2.90%	3.40%	3.30%
Rate of increase in salaries	3.20%	4.70%	3.90%	4.90%	3.90%
Rate of increase in pensions in deferment	3.40%	3.70%	2.90%	3.40%	3.30%
Rate of increase in pensions in payment	3.40%	3.70%	2.90%	3.40%	3.30%

The underlying mortality assumption is based upon the standard table known as Self-administered Pension Schemes (SAPS) mortlity 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. Both the base table and the allowance for improvements have been updated from 2010 when the PA92 tables were used with the Medium Cohort projections. 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)

Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2011 (with comparative figures as at 31 March 2010) are as follows:

	30-Jun-11	**31-Mar-10**
	£	**£**
Total market value of assets	1,065,411	898,387
Present value of Scheme liabilities	(1,046,584)	(947,165)
Net pension asset/(liability)	18,827	**(48,778)**

Notes to the Accounts for the year ended 30 June 2011:

20 PENSION SCHEMES continued

The amounts recognised in profit and loss for the 15 months ending 30 June 2011 (with comparative figures as at 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
Current service cost (net of Employee contributions)	80,168	49,521
Interest on Pension Scheme liabilities	69,316	45,592
Expected return on pension scheme assets	(78,583)	(45,488)
Past service cost	-	-
Total	**70,901**	**49,625**
Actual return on scheme assets	106,706	145,127

Changes in the present value of the scheme liabilities for the 15 months ending 30 June 2011 (with comparative figures as at 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
Present value of scheme liabilities at beginning of period	947,165	699,469
Service cost (Including Employee contributions)	100,194	65,394
Interest cost	69,316	45,592
Actuarial (gains)/losses	(52,508)	168,346
Benefits paid	(17,583)	(31,636)
Present value of Scheme liabilities at end of period	**1,046,584**	**947,165**

Changes in the fair value of Scheme assets for the 15 months ending 30 June 2011 (with comparative figures as at 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
Market value of scheme assets at beginning of period	898,387	724,403
Expected return	78,583	45,488
Actuarial gains	28,123	99,639
Contributions paid by College	57,875	44,620
Employee contributions	20,026	15,873
Benefits paid	(17,583)	(31,636)
Present value of Scheme liabilities at end of period	**1,065,411**	**898,387**

The agreed contributions to be paid by the College for the forthcoming year are to remain at 16.07% of Contribution pay subject to review at future actuarial valuations. These rates exclude PHI.

Notes to the Accounts for the year ended 30 June 2011:

20 PENSION SCHEMES continued

The major categories of Scheme assets as a percentage of total Scheme assets for the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10	31-Mar-09	31-Mar-08
Equities and Hedge Funds	55%	61%	49%	51%
Bonds & Cash	37%	30%	42%	37%
Property	8%	9%	9%	12%
Total	**100%**	**100%**	**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: 7.5%), property 6.1% (2010: 6.5%) and bonds & cash of 4.8% (2010: 5.0%).

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL) for the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
Actuarial return less expected return on scheme assets	28,123	99,639
Experience gains and losses arising on scheme liabilities	3,006	31,728
Changes in assumptions underlying the present value of Scheme liabilities	49,502	(200,074)
Actuarial gain/(loss) recognised in STRGL	**80,631**	**(68,707)**

Cumulative amount of actuarial gains and losses recognised in STRGL for the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
Cumulative actuarial gain/(loss) at beginning of period	(115,106)	(46,399)
Recognised during the period	80,631	(69,707)
Cumulative actuarial gain/(loss) at end of period	**(34,475)**	**(115,106)**

Movement in surplus/(deficit) during the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30-Jun-11	31-Mar-10
	£	£
(Deficit)/surplus in Scheme at beginning of year	(48,748)	24,934
Service cost (Employer only)	(80,168)	(49,521)
Contributions paid by the College	57,875	44,620
Finance cost	9,267	(104)
Actuarial gains /(losses)	80,631	(68,707)
Surplus/(deficit) in Scheme at the end of the year	**18,827**	**(48,778)**

Other Pensions
The College also contributes to a defined contribution pension scheme for two employees. The assets of the schemes are held separately from those of the College. The annual contributions are charges to the income and expenditure account and amounted to £8,573 (2010: £10,371).

Notes to the Accounts for the year ended 30 June 2011:

21 CAPITAL COMMITMENTS

	2011	2010
ISRC - commitments contracted at 30 June	-	285,801

22 RELATED PARTY TRANSACTIONS

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

23 PRIOR YEAR ADJUSTMENT NOTE

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.
c) Designated funds are not permitted and therefore have been transferred to General Reserves.
d) Heritage Assets FRS30 has been adopted for the first time.

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

	Restricted Permanent	Restricted Expendable	Unrestricted Permanent	General Reserves	Pension Reserve	Total 2010	Total 2009
Reserves under previous accounting policies	2,978,270	3,625,460	11,644,405	880,920	(48,778)	19,080,277	17,824,096
Deferred Capital Grants	-	(2,751,532)	-	-	-	(2,751,532)	(2,594,004)
Reclassification between Permanent and Expendable	3,433	(3,433)	4,982	(4,982)	-	-	-
Heritage Assets	-	-	-	150,000	-	150,000	150,000
Removal of Permanent Designated Reserves	-	-	(6,863,522)	6,863,522	-	-	-
Reserves as restated	**2,981,703**	**870,495**	**4,785,865**	**7,889,460**	**(48,778)**	**16,478,745**	**15,380,092**