WOLFSON COLLEGE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

FINANCIAL STATEMENTS

Contents **Page**

FINANCIAL REVIEW

Financial Review

The headline figure on the Consolidated Income and Expenditure account is a deficit of £195,000 (inclusive of depreciation at £895,000), being an improvement on the previous two years. The Statement of Recognised Gains and Losses shows an improvement of £899,000 during the year attributable to a continuing favourable trend in the Stock Market, and a grant from the Colleges Fund. The Balance Sheet identifies the loan facility of £620,000, which is in place as part of the funding for the Chancellor's Centre, and is currently being repaid at £100,000 pa. The account also requires the disclosure of the actuarial valuation identifying a liability of £425,000, an increase of £55,000 in the year, on the defined benefit pension scheme.

Benefactions and Donations

The College received just over £106,000 in donations during the year. Additionally a grant of £435,000 for corporate Capital was received from the Colleges' Fund.

Investments

Market valuation of the portfolio at 30 June 2006 was £7,155,000.

Buildings

Although there was no new building work during the year, there were major refurbishments to Morrison House, Bredon House, Plommer House and 42 Barton Road as well as an untimely replacement lift mechanism for the library. The laundry was upgraded and the "older" college buildings had cavity wall insulation installed. Preparatory work is already in hand to replace the main boilers and control mechanisms during the summer of 2007. The College properties are valued at £60m for insurance purposes, and require a maintenance provision of £600,000 pa. In £2005-2006 over £350,000 was spent on major building maintenance and the forthcoming boiler/heating programme alone will cost around £250,000.

Reserves

The College's unrestricted funds amount to £44.9 million and are represented in the balance sheet by the College's operational buildings and by part of the investment portfolio. The restricted funds amount to £2.9 million. The adoption of the FRS17 protocol has required a change to the accounting treatment of pensions. Pages 10 and 19-22 of the accounts are concerned with making this more transparent. Wolfson has the reserves to cover its pension liabilities.

RESPONSIBILITIES OF THE GOVERNING BODY

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

The Governing Body is responsible for the preparation of the financial statements in accordance with applicable United Kingdom accounting standards and to send an abstract of its accounts in the form prescribed by the University Statutes to 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; 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.

REPORT OF THE AUDITORS TO THE GOVERNING BODY OF WOLFSON COLLEGE

We have audited the financial statements of Wolfson College for the year ended 30 June 2006 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Governing Body, in accordance with our engagement letter dated 30 October 2006. Our audit work has been undertaken so that we might state to the 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 Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the College's Council and auditors

As described in the statement of responsibilities of the Governing Body, the Governing Body is responsible for preparing the financial statements in accordance with applicable United Kingdom generally accepted accounting practice, the provisions of the Statutes of the College and the University of Cambridge and the Statement of Recommended Practice for accounting in Further and Higher Education.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Auditing Standards (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, with the Statutes of the University of Cambridge, and with the provisions of the Statutes of the College. In addition, we report whether the University Contribution has been correctly calculated in accordance with the provisions of University Statute G, II.

We also report if, in our opinion, the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the accounts for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Auditing Standards (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the College and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the College and the Group as at 30 June 2006 and of the Group's income and expenditure for the year then ended and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statutes of the College and the University.

In our opinion, the contribution due from the College to the University as set out in note 23 has been correctly calculated in accordance with the provisions of University Statute G, II.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge. In addition, the Accounts comply with the Statement of Recommended Accounting Practice for accounting in Further and Higher Education ('the SORP') with the exception of the Balance Sheet, which has been presented in the different format set out in the relevant section of the Statutes and Ordinances of the University of Cambridge (the RCCA). The provisions of the SORP require Endowments, Deferred Grants and Revaluation Reserves to be disclosed on the face of the Balance Sheet, whereas the RCCA requires that part of this information be disclosed in the Notes to the Accounts.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary company, Lee Library Ltd, together with its dormant subsidiary companies, Wolfson College Cambridge Properties Ltd and Wolfson College Developments Ltd. (the Group). The activities of student societies have not been consolidated.

Recognition of income

Unrestricted donations and benefactions are shown as income in the year in which they arise. Donations and benefactions to restricted funds are shown as income only when the associated expenditure is recognised.

Income earned on investments is recognised in the same way, according to the unrestricted or restricted nature of the fund to which it is apportioned.

Restricted donations, benefactions and investment earnings to be recognised as income in future periods are shown in the Statement of Total Recognised Gains and Losses, offset by receipts of earlier years which are recognised in the current year.

Pension schemes

The College participates in both the Cambridge Colleges Federated Pension Scheme, with its employees contracted in to the State Second Pension (S2P), formerly the State Earnings-Related Pension Scheme (SERPS), and the Universities Superannuation Scheme, which is contracted out of the State Second Pension (S2P), formerly the State Earnings-Related Pension Scheme (SERPS). Both are defined benefit schemes, the assets of which are held in separate trustee-administered funds.

In each scheme, the funds are valued every three years by a professionally qualified independent actuary using the projected unit method, and the rates of contribution payable are determined by the trustee on the advice of the actuary. In the intervening years the actuary reviews the progress of the scheme. 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 College benefits from the employees' services.

Tangible fixed assets

a. Land and buildings

Land and buildings held for operational purposes are stated at depreciated replacement cost. Freehold buildings (including the cost of renewals) are depreciated on a straight line basis over the 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 a deferred capital grant 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. Finance costs, which are directly attributable to the construction of buildings, are not capitalised as part of the cost of those assets.

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

b. Maintenance and Renewal of premises

The College has a 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 has a major renewal programme, the costs of which are treated as capital improvements which bear upon the depreciated replacement cost of buildings.

c. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
General equipment	20% per annum
Computer equipment	25% per annum

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. Silver, works of art and other assets not related to education

Silver, works of art and other assets not related to education, which are deemed to be inalienable, are not included in the balance sheet.

Investments

Investments are included in the balance sheet at market value. Securities are shown at their market value. For listed investments this is the middle market quotation ruling at the close of business on 30 June, translated for overseas investments into sterling at the rates of exchange ruling at that date.

Investment income is included as and when dividends and interest become payable. Interest on bank deposits is included as earned. Interest purchased or sold as part of the price for investments is treated as capital rather than being brought into the income and expenditure account.

Stocks

Stocks are stated 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.

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and is 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.

DEFINITION OF TERMS

Capital and Reserves are classified under the following terms:

Restricted Funds – funds, the income of which may only be used for a particular purpose, i.e. subject to a legally binding restriction such as a trust deed or will, or an implied trust.

Unrestricted Funds - funds, the income of which may be used for any purpose.

Designated Funds – unrestricted funds, the income of which the Governing Body has decided to use for a particular purpose.

Undesignated Funds – unrestricted funds, the income of which may be used for any purpose.

Permanent Capital – capital which the Governing Body has no power to convert to income and apply as such.

Expendable Capital – capital which the Governing Body has the power to convert to income and apply as such.

General Capital – capital which can be used for revenue purposes.

Corporate Capital – capital which cannot be used for revenue purposes.

Trust Funds – funds, the use of which is governed by the terms of a trust deed or an implied trust.

Revaluation Reserve – a reserve comprised of the market value of investment assets less their historic cost.

Consolidated Income and Expenditure Account

Year to 30 June	Note	2006 £' 000	2005 restated £' 000
INCOME			
Academic	2	1,371	1,345
Residential and Catering	3	2,412	2,185
Endowment	4	203	174
Other	5	156	289
Total Income		**4,142**	**3,993**
EXPENDITURE			
Education	6	1,611	1,656
Residential and Catering	7	2,670	2,581
Other	8	56	59
Total Expenditure		**4,337**	**4,296**
Operating Deficit		**(195)**	**(303)**
Contribution to Colleges' Fund	9	Nil	Nil
NET Deficit		**(195)**	**(303)**

Income and expenditure are in respect of continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

Year to 30 June	2006	2006		2006	2005 restated
	Restricted Funds	Unrestricted Funds			
		Designated	Undesignated	Total	Total
	£' 000	£' 000	£' 000	£' 000	£' 000
Balance at 1 July 2005	**2,786**	**977**	**43,200**	**46,963**	**46,371**
Unrealised gain on investment assets	139	64	557	760	706
Net withdrawal from funds	(98)	-	(25)	(123)	(125)
Surplus / (deficit) for the year	-	26	(221)	(195)	(303)
Donations	65	-	-	65	123
Capital grants from Colleges' Fund	-	-	435	435	375
Actuarial loss in pension scheme	-	-	(43)	(43)	(184)
Total recognised gains for the year	**106**	**90**	**703**	**899**	**592**
Balance at 30 June 2006	**2,892**	**1,067**	**43,903**	**47,862**	**46,963**

Total recognised gains for the year	**106**	**90**	**703**	**899**
Prior year adjustments	-	-	(370)	(370)
Total recognised gains since last annual report	**106**	**90**	**333**	**529**

Balance Sheets

As at 30 June	Note	College 2006 £' 000	Group 2006 £' 000	College 2005 restated £' 000	Group 2005 restated £' 000
FIXED ASSETS					
Tangible Assets	11	40,997	40,997	41,453	41,466
Investments	12	7,156	7,155	5,854	5,853
Total Fixed Assets		**48,153**	**48,152**	**47,307**	**47,319**
CURRENT ASSETS					
Stocks		87	87	85	85
Debtors	13	242	242	282	278
Cash		1,076	1,076	949	951
Total Current Assets		**1,405**	**1,405**	**1,316**	**1,314**
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	14	657	650	584	580
Net Current Assets		**749**	**756**	**732**	**734**
Total Assets less Current Liabilities		**48,901**	**48,907**	**48,039**	**48,053**
Creditors: amounts falling due after more than one year	15	620	620	720	720
NET ASSETS excluding pension liability		**48,281**	**48,287**	**47,319**	**47,333**
Defined benefit pension liability	24	425	425	370	370
NET ASSETS including pension liability		**47,856**	**47,862**	**46,949**	**46,963**
CAPITAL and RESERVES					
Restricted funds	16	2,892	2,892	2,786	2,786
Unrestricted funds	16	44,964	44,970	44,163	44,177
TOTAL		**47,856**	**47,862**	**46,949**	**46,963**

Approved on behalf of the Council

Bursar
1 November 2006

Consolidated Cash Flow Statement

Year to 30 June	Note	2006 £' 000	2005 £' 000
Net cash inflow from operating activities	21a	816	388
Net cash outflow from returns on investments and servicing of finance	21b	(192)	(162)
Net cash outflow from capital transactions	21c	(399)	(464)
Net cash inflow/(outflow) before financing		**225**	**(238)**
Net cash (outflow)/inflow from financing	21d	(100)	620
Net cash inflow after financing		**125**	**382**

Reconciliation of net cash flow to movement in net liquid funds

	Note	2006 £' 000	2005 £' 000
Increase in cash in year	22	125	382
Change in net debt	22	100	(620)
Cash flow relating to purchase and sale of investments	22	544	12
Non-cash movements in investments	22	758	690
Movement in net funds during the year		1,527	464
Opening net funds	22	6,084	5,620
Closing net funds	22	**7,611**	**6,084**

Notes to the Accounts
Year to 30 June

1 RESTATEMENT OF COMPARATIVES

The adoption of FRS17 Retirement Benefits protocol has required a change to the accounting treatment of pensions and the prior year results have been restated accordingly, as follows:

Balance Sheet

	Pension Liability £'000	**General Capital** £'000
As previously reported at 30 June 2005	-	36,734
Adoption of FRS17 at 30 June 2005	370	(370)
At 30 June 2005 restated	370	36,364

Under FRS 17 the difference between the market value of the assets of the College's pension fund in the Combined Colleges Federal Pension Scheme (CCFPS) and the present value of accrued pension liabilities is shown as a liability on the balance sheet. Previously there were no entries relating to the pension scheme at year end in the balance sheet.

Income and Expenditure Account

	Residential and Catering Expenditure £'000	**Other Expenditure** £'000	**Net Deficit** £'000
As previously reported for the year to 30 June 2005	1,656	67	(302)
Adoption of FRS17 for the year to 30 June 2005	8	(8)	(1)
Year end 30 June 2005 restated	1,664	59	(303)

The income and expenditure charge under SSAP24 comprised a regular pension cost consisting of contributions made to the scheme. Under FRS 17 three new items are included in the income and expenditure account.

Included in Residential and Catering Expenditure:

- the full service cost of pension provision for the year and the costs of any benefits relating to past service.

Included in Other Expenditure:

- a charge equal to the expected increase in the present value of the scheme liabilities arising because the benefits are closer to settlement and, netted against this, a credit equivalent to the College's long term expected return on assets based on the market value of the scheme assets at the start of the year.

Statement of Total Recognised Gains and Losses

Included in the statement of total recognised gains and losses are:

- the difference between the expected return on pension assets and that actually achieved.
- differences which arise from experience or changes in assumptions for pension liabilities.

Notes to the Accounts

Year to 30 June	2006 £' 000	2005 £' 000
2 ACADEMIC INCOME		
College Fees		
Fees from publicly-funded students		
(i) undergraduates (fee £3,429 less abatement of £278 = £3,151)	207	201
Fees from non-publicly funded Home/EC and Overseas students		
(i) undergraduates (fee £3,429)	198	188
(ii) graduates (fee £1,986)	680	594
Other	286	362
	1,371	**1,345**
3 RESIDENTIAL and CATERING INCOME		
Accommodation	1,911	1,702
Catering	501	483
	2,412	**2,185**
Income originates from College Members		
4 ENDOWMENT INCOME		
Income from unrestricted funds:		
Quoted securities - equities	120	128
Quoted securities - fixed interest	28	17
Unquoted securities - equities	13	-
Cash	42	29
	203	**174**
5 OTHER INCOME		
Donations to Unrestricted Funds	58	186
General Donations	20	40
Release of Deferred Capital Grants	56	54
Miscellaneous	22	9
	156	**289**

Notes to the Accounts

Year to 30 June

		Note	2006	2005 restated
			£' 000	£' 000
6	**EDUCATION EXPENDITURE**			
	Teaching		522	538
	Tutorial		291	276
	Admissions		223	212
	Research		211	216
	Scholarships and Awards		66	53
	Other Educational Facilities		163	154
	College Courses		135	207
			1,611	**1,656**
7	**RESIDENTIAL and CATERING EXPENDITURE**			
	Accommodation		1,916	1,817
	Catering		754	764
			2,670	**2,581**
	Expenditure redounds to College Members			
8	**OTHER EXPENDITURE**			
	Loan Interest, etc		42	34
	Finance deficit / (surplus) on defined benefit pension		5	(8)
	Amenities		9	33
			56	**59**
	Expenditure includes auditors' remuneration of:			
	External audit		22	22
	Other services		3	5

Expenditure includes £9,682 (£18,250 in 2005) as the cost of fundraising.
This expenditure includes some of the the costs of alumni relations.

		Note	2006	2005 restated
9	**CONTRIBUTION UNDER STATUTE GII**			
	Endowment Income as per Income & Expenditure Account	4	203	174
	Less: Items not Assessable to Contribution		(212)	(204)
	Assessable Income	23	(9)	(30)
	Less: Deductible Items	23	(314)	(349)
	Net Assessable Income		**Nil**	**Nil**

Notes to the Accounts

Year to 30 June

10 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Note	Staff Costs Note 20	Other Expenses	Depreciation	Total
		2006	**2006**	**2006**	**2006**
		£' 000	£' 000	£' 000	£' 000
Education	6	449	946	216	1,611
Residential and Catering	7	1,290	701	679	2,670
Other		5	51	-	56
		1,744	**1,698**	**895**	**4,337**
		2005 restated	**2005 restated**	**2005 restated**	**2005 restated**
		£' 000	£' 000	£' 000	£' 000
Education	6	466	976	214	1,656
Residential and Catering	7	1,220	666	695	2,581
Other		(8)	67	-	59
		1,678	**1,709**	**909**	**4,296**

11 TANGIBLE FIXED ASSETS

	2006	2006	2006	2005
	Freehold Land and Buildings	**Furniture, Fittings and Equipment**	**Total**	**Total**
	£' 000	£' 000	£' 000	£' 000
a GROUP				
Cost or Depreciated Replacement Cost				
As at 1 July 2005	43,034	1,505	44,539	43,536
Additions at Cost	342	96	438	1,003
Disposals at Cost	-	(69)	(69)	-
Cost or Depreciated Replacement Cost as at 30 June 2006	**43,376**	**1,532**	**44,908**	**44,539**
Depreciation				
As at 1 July 2005	2,271	802	3,073	2,164
Charge for the Year	764	131	895	909
Disposals	-	(57)	(57)	-
Depreciation as at 30 June 2006	**3,035**	**876**	**3,911**	**3,073**
Net Book Value				
As at 30 June 2006	**40,341**	**656**	**40,997**	**41,466**
As at 30 June 2005	**40,763**	**703**	**41,466**	**41,372**
b COLLEGE				
Cost or Depreciated Replacement Cost				
As at 1 July 2005	43,034	1,435	44,469	43,466
Additions at Cost	342	97	439	1,003
Cost or Depreciated Replacement Cost as at 30 June 2006	**43,376**	**1,532**	**44,908**	**44,469**
Depreciation				
As at 1 July 2005	2,271	745	3,016	2,111
Charge for the Year	764	131	895	905
Depreciation as at 30 June 2006	**3,035**	**876**	**3,911**	**3,016**
Net Book Value				
As at 30 June 2006	**40,341**	**656**	**40,997**	**41,453**
As at 30 June 2005	**40,763**	**690**	**41,453**	**41,355**

The insured value of freehold land and buildings as at 30 June 2006 was £60,588,536 (£57,595,932 in 2005)

Land and buildings are shown at depreciated replacement cost. Historical cost records are not available.

Notes to the Accounts

Year to 30 June		2006	2006	2005	2005
12 INVESTMENT ASSETS		**College**	**Group**	**College**	**Group**
		£' 000	£' 000	£' 000	£' 000
Market Value at 1 July 2005		5,854	5,853	5,152	5,151
Income retained in Fund		191	191	167	167
Management charges refunded / (incurred)		1	1	(5)	(5)
Net investments / (disposals) at opening book value		350	350	(150)	(150)
Net gain on revaluation at 30 June 2006		760	760	690	690
Market Value at 30 June 2006		**7,156**	**7,155**	**5,854**	**5,853**
Represented by:					
Quoted securities - equities		5,347	5,347	4,732	4,732
Quoted securities - fixed interest		468	468	484	484
Unquoted securities - equities		1,045	1,045	66	66
Investment in subsidiary undertakings		1	-	1	-
Cash held for reinvestment		295	295	571	571
Total		**7,156**	**7,155**	**5,854**	**5,853**

The college owns 100% of the issued ordinary £1 shares of Lee Library Ltd., Wolfson College Cambridge Properties Ltd. and Wolfson College Development Ltd., all of which are companies incorporated in the United Kingdom. The principal business activities of Lee Library Ltd. are the loan of books and operation of a library. The remaining subsidiary companies are dormant.

13 DEBTORS					
Members of the College		126	126	122	122
Subsidiary companies		1	-	8	-
Other debtors		115	116	152	156
		242	**242**	**282**	**278**

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Social Security and Other Taxation		1	1	-	-
Members of the College		141	141	159	159
Other creditors		515	508	425	421
		657	**650**	**584**	**580**

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	£' 000				
Bank Loan - secured on the College's Investment portfolio		620	620	720	720
Repayable:					
- in more than one year but less than five	240				
- in more than five years	380				
		620	**620**	**720**	**720**

The rate of interest payable on the loan is Base Rate plus 1%. The loan is repayable in 10 consecutive annual instalments commencing 31 October 2005, the last instalment being due on 31 October 2014.

Notes to the Accounts

Year to 30 June

16 CAPITAL AND RESERVES

GROUP	Note	Expendable Capital Funds £' 000	Permanent Capital Funds £' 000	Total 2006 £' 000	Total 2005 restated £' 000
Restricted Funds					
Trust Funds	17a	1,282	-	1,282	1,121
Deferred Capital Grants	17b	1,610	-	1,610	1,665
Unrestricted Funds					
Designated Funds:					
Trust Funds	17d	1,067	-	1,067	977
Undesignated Funds:					
Revaluation Reserve	17c	1,028	-	1,028	861
Corporate Capital	17d	-	6,410	6,410	5,975
General Capital	17d	36,465	-	36,465	36,364
Total Funds - used for Collegiate purposes		**41,452**	**6,410**	**47,862**	**46,963**

COLLEGE

College capital and reserves differ from the Group's reserves by £6,000 (£14,000 in 2005). This difference is attributable to the retained profits of the college's subsidiary company Lee Library Ltd. These retained profits are expendable, unrestricted and undesignated general capital. This general capital is invested in fixed assets and net current assets. Accordingly, notes 16 to 19 have not been replicated for the college.

17 MOVEMENTS IN CAPITAL AND RESERVES

	2006 £' 000	2005 £' 000
a Restricted Funds		
Balance at 1 July 2005	1,121	994
Donations received	64	69
Income from Investments	41	27
Expenditure from funds	(83)	(98)
Increase in market value of investment assets	139	129
Balance at 30 June 2006	**1,282**	**1,121**
b Deferred Capital Grants		
Balance at 1 July 2005	1,665	1,665
Donations received	1	54
Expenditure from funds	(56)	(54)
Balance at 30 June 2006	**1,610**	**1,665**
c Revaluation Reserve		
Balance at 1 July 2005	861	476
Increase in unrealised gain for the year	526	478
Transfer of realised losses	(359)	(93)
Balance at 30 June 2006	**1,028**	**861**

d General Reserves	Corporate Capital £' 000	Designated Reserves £' 000	General Capital £' 000	Total 2006 £' 000	Total 2005 restated £' 000
Balance at 1 July 2005 as previously stated	5,975	977	36,734	43,686	43,421
Prior year adjustments as per Note 1	-	-	(370)	(370)	(185)
Balance at 1 July 2005 as re-stated	5,975	977	36,364	43,316	43,236
Grant from Colleges Fund	435	-	-	435	375
Deficit for the year	-	-	(195)	(195)	(303)
Transfers	-	26	296	322	(51)
Increase in market value of investments	-	64	-	64	59
Balance at 30 June 2006	**6,410**	**1,067**	**36,465**	**43,942**	**43,316**

Notes to the Accounts

Year to 30 June

17 MOVEMENTS IN CAPITAL AND RESERVES (contd.)

e Summary

	Balance at 01/07/2005 restated	Movement in Year		Balance at 30/06/2006
		Reduction	Increase	
	£' 000	£' 000	£' 000	£' 000
Restricted Funds				
Expendable Capital	2,786	55	161	2,892
Unrestricted Funds				
Designated Funds:				
Expendable capital	977	32	122	1,067
Undesignated Funds:				
Expendable capital	37,225	135	403	37,493
Permanent capital	5,975	-	435	6,410
	46,963	**222**	**1,121**	**47,862**

18 ANALYSIS OF RESTRICTED AND DESIGNATED UNRESTRICTED FUNDS

	Restricted Funds	Unrestricted Funds	Total 2006	Total 2005
	£' 000	£' 000	£' 000	£' 000
Fellowships Funds	268	122	390	360
Scholarships Funds	237	535	772	732
Library Funds	159	2	161	154
Support Funds	342	58	400	366
Travel Grants Funds	27	4	31	28
Prizes Funds	3	4	7	7
Building Grants	1,610	-	1,610	1,665
Revaluation Reserves	246	113	359	236
Other Funds	-	229	229	215
	2,892	**1,067**	**3,959**	**3,763**

19 CAPITAL ALLOCATION

Capital is invested in the following categories of assets:

	Fixed Assets	Investment Assets	Total 2006	Total 2005 restated
	£' 000	£' 000	£' 000	£' 000
Restricted Funds				
Expendable Capital	1,625	1,267	2,892	2,786
Unrestricted Funds				
Designated Funds:				
Expendable capital	483	584	1,067	977
Undesignated Funds:				
Expendable capital	35,229	2,264	37,493	37,225
Permanent capital	3,370	3,040	6,410	5,975
Total at 30 June 2006	**40,707**	**7,155**	**47,862**	
Total at 1 July 2005	41,110	5,853		46,963

Notes to the Accounts

Year to 30 June

20 STAFF

	Note	College Fellows	Non-Academic	Total 2006	Total 2005 restated
		£' 000	£' 000	£' 000	£' 000
Staff Costs:					
Emoluments		231	1,190	1,421	1,398
Social Security		17	94	111	104
Other Pensions	24	24	188	212	176
		272	**1,472**	**1,744**	**1,678**
Average Staff numbers (full-time equivalents)					
Academic				8	8
Non-academic				68	66

There were no College officers or employees whose remuneration, excluding pension contributions, exceeded £70,000. There were 141 Fellows in the Governing Body, 15 of which are stipendiary, as declared above.

		Note	2006	2005 restated
			£' 000	£' 000
21	**CASH FLOW**			
a	**Operating Activities**			
	Operating Deficit		(195)	(303)
	Depreciation	11	895	909
	Increase in stocks		(2)	(6)
	Decrease / (Increase) in debtors	13	36	(28)
	Increase / (Decrease) in creditors	14	70	(185)
	Pension Scheme		12	1
	Net cash inflow from operating activities		**816**	**388**
b	**Returns on Investments and Servicing of Finance**			
	Retained Endowment income	12	(191)	(167)
	Investment management fees		(1)	5
	Net cash outflow from returns on investments and servicing of finance		**(192)**	**(162)**
	Contribution to Colleges Fund	9	**Nil**	**Nil**
c	**Capital Transactions**			
	Receipts from sales of investment assets	12	150	150
	Receipts re-invested		(58)	14
	Capital Grant received from Colleges Fund		435	375
	Total capital receipts		**527**	**539**
	Payments to acquire tangible fixed assets		(426)	(1,003)
	Payments to acquire investment assets	12	(500)	-
	Total capital expenditure		**(926)**	**(1,003)**
	Net cash inflow / (outflow) from capital transactions		**(399)**	**(464)**
d	**Financing**			
	Long-term loans (repaid) / taken out		(100)	620
	Net cash (outflow) / inflow from financing		**(100)**	**620**

Notes to the Accounts

Year to 30 June

22 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 2005 £' 000	Cash Flows £' 000	Other Changes £' 000	At 30 June 2006 £' 000
Cash at Bank and in hand	951	125	-	1,076
Bank loan and pension provision	(720)	100	-	(620)
Net liquid funds	**231**	**225**	-	**456**
Investments in securities	5,282	825	753	6,860
Short term investments	571	(281)	5	295
Net funds	**6,084**	**769**	**758**	**7,611**

		2006 £' 000	2006 £' 000	2005 £' 000
23	**CONTRIBUTION ASSESSMENT**			
a	**Assessable Income**			
	External Revenue			
	Dividends and Interest gross		172	154
	Less:			
	Insurance of College Buildings	30		
	Agency and Management Charges	52		
	Sinking Fund payments under Statute GII,4(iv)	130		
			(212)	(204)
	Trust and Other Funds subject to Contribution		31	20
			(9)	**(30)**
b	**Deductible Items**			
	Half sums paid to Research Students	11		
	Prizes	1		
	Net expenditure on College Library	7		
	College Teaching Officers	29		
	College Research Fellows	77		
	College Building Fund under Statute GII,4(vii)	177		
	Donations for University purposes under Statute GII,4(xxiii)	12		
			(314)	**(349)**
	Net Assessable Income		**Nil**	**Nil**
c	**Building Fund under Statute GII,4(vii)**			
	Balance at 1 July 2005		-	-
	Transfer for 2005/2006 approved under Statute GII,4(vii)		177	170
	Deduct: Transfer to General Capital		177	170
	Balance at 30 June 2006		**-**	**-**

Notes to the Accounts

24 PENSION SCHEMES

Cambridge Colleges Federated Pension Scheme:

The College's share of the underlying assets and liabilities of the scheme is separately identifiable and is shown below, as at 31 March 2006.

The contribution made by the College in respect of the accounting period ended 30 June 2006 was £135,348 (£129,409 in 2005), excluding PHI contributions. The College's contribution rate required for future service benefits alone was 18.43% of salaries during the nine months to 31 March 2006, and 25.7% of salaries during the three months to 30 June 2006.

The College has obtained a valuation of the assets as at 31 March 2006. In the opinion of the independent actuary providing this valuation, there have been no material changes relating to the college's FRS17 position between 1 April and 30 June 2006, the end of the current accounting year.

FRS 17 Disclosures

The most recent full actuarial valuation of the scheme was as at 31 March 2005. These FRS 17 valuation results use the same valuation data obtained by an independent actuary who is not an employee or officer of the College and/or its subsidiaries. The valuation was carried out using the projected unit method.

The major assumptions used by the actuary were:

	30 June 2006	**30 June 2005**	**30 June 2004**
Discount rate	4.90%	5.40%	5.80%
Inflation assumption	3.00%	3.00%	3.10%
Rate of increase in salaries	3.75%	3.75%	3.80%
Rate of increase in pensions in deferment	3.00%	3.00%	3.10%
Rate of increase in pensions in payment for members	3.00%	3.00%	3.10%
Rate of increase in pensions in payment for members joining from 1 April 2004	2.50%	2.50%	2.60%

The assets in the scheme and the expected rates of return are:

	Long term rate of return expected at 30 June 2006	**Value £'000**	**Long term rate of return expected at 30 June 2005**	**Value £'000**	**Long term rate of return expected at 30 June 2004**	**Value £'000**
Equities	7.5%	1,133	7.5%	823	8.0%	675
Bonds (including cash)	4.3%	575	4.7%	481	5.1%	410
Property	6.5%	48	6.5%	35	7.0%	78
		1,756		1,339		1,163

The following results were measured in accordance with the requirements of FRS17:

	30 June 2006 £'000	30 June 2005 £'000	30 June 2004 £'000
Total market value of assets	1,756	1,339	1,163
Present value of scheme liabilities	(2,181)	(1,709)	(1,348)
Net pension liability	(425)	(370)	(185)

Analysis of the amount charged to operating profit

	30 June 2006 £'000	30 June 2005 £'000
Current service cost	117	104
Life assurance premium	12	16
Total operating charge	129	120

Analysis of the amount credited to other finance income

	30 June 2006 £'000	30 June 2005 £'000
Expected return on pension scheme assets	92	83
Interest on pension scheme liabilities	(97)	(76)
Net return	(5)	7

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	30 June 2006 £'000	30 June 2005 £'000	30 June 2004 £'000
Actual return less expected return on pension scheme assets	135	22	50
Experience gains and losses arising on the scheme liabilities	18	(99)	(25)
Changes in assumptions underlying the present value of the scheme liabilities	(196)	(107)	(78)
Actuarial loss recognised in STRGL	(43)	(184)	(53)

Movement in deficit during the year

	30 June 2006 £'000	30 June 2005 £'000	30 June 2004 £'000
Deficit in scheme at beginning of the year	(370)	(185)	(148)
Movement in year:			
Current service cost including Life Assurance premium	(129)	(120)	(95)
Contributions	122	112	106
Past service costs	-	-	-
Other finance income	(5)	7	5
Actuarial loss	(43)	(184)	(53)
Deficit in scheme at end of the year	(425)	(370)	(185)

The FRS17 actuarial valuation at 31 March 2006 showed a deficit of £425,216.

History of experience gains and losses

	30 June 2006 £'000	30 June 2005 £'000	30 June 2004 £'000
Difference between expected and actual return on scheme	135	22	50
assets	8%	2%	4%
Experience gains and losses arising on the scheme liabilities	(18)	(99)	(25)
	1%	-6%	-2%
Total amount recognised in statement of total recognised	(43)	(184)	(53)
gains and losses	-2%	-11%	-4%

Universities Superannuation Scheme:

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

The most recent full actuarial valuation of the scheme was as at 31 March 2005. The assumptions which 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) and the rates of increase in salaries and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increasing salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities and provision for expenses was £28,308 million leaving a deficit of £6,568 million. The assets therefore were sufficient to cover 77% 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. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pension Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS were a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of salaries.

Surpluses or deficits which arise at future valuations may affect the College's future contribution commitment. An additional factor which could affect the funding level of the scheme is that, with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal actuarial valuation is due as at 31 March 2008 when the above rates will be reviewed. The total pension cost for the College was £46,748 (£43,692 in 2005). The contribution rate payable by the College was 14% of pensionable salaries.

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 may have 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.