WOLFSON COLLEGE CAMBRIDGE

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
30 JUNE 2011

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INTRODUCTION

Wolfson College is one of the 31 colleges in the University of Cambridge. It was founded as University College in 1965, and was renamed Wolfson College in 1973, receiving its Royal Charter in 1977. The primary object of the College is to advance education, learning and research in the University of Cambridge.

The College takes both full-time and part-time postgraduate students studying for PhDs and Masters degrees; and full-time mature undergraduates over the age of 21. The College also has a large Fellowship, which is particularly active in research within the University.

The College occupies a nine-acre site to the west of central Cambridge, consisting of new buildings built since 1972, older houses absorbed into the site and landscaped gardens. The residential buildings include 456 units of accommodation for students, Junior Research Fellows and academic visitors, accommodating over 500 in total. Other buildings house a library, a dining hall, seminar rooms, teaching rooms, common rooms, a gym and other shared spaces.

In September 2010 the College's charitable status changed from Exempt Charity to Registered Charity, regulated by the Charity Commission.

These accounts are presented in the format of the Recommended Cambridge College Accounts (RCCA), which comply with the Higher Education SORP (Statement of Recommended Practice: Accounting for Further and Higher Education).

SUMMARY FINANCIAL RESULTS

For the financial year from 1 July 2010 to 30 June 2011 the result is a surplus of £32k.

Total income was £5.49m and expenditure (including depreciation of £598k) was £5.46m.

The value of the balance sheet has increased by £2.3m over the previous year to £27.4m.

Since the previous year's audited accounts, the Governing Body has agreed a change in the policy for accounting for the College's buildings from depreciated replacement cost to historic cost. The figures for the 2009-2010 financial year have been restated accordingly.

PROFESSIONAL ADVISERS

Auditor
Deloitte LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

Solicitors
Ashton KCJ
Chequers House
77-81 Newmarket Road
Cambridge CB5 8EU

Bankers
Lloyds Bank Corporate Markets
Black Horse House
Castle Park
Cambridge CB3 OAR

Wolfson College
Barton Road
Cambridge CB3 9BB

Website: www.wolfson.cam.ac.uk

Charity Registration number: 1138143

CHARITY TRUSTEES

The members of the College Council act as the Trustees of the charity. The College Council meets at least eight times in a year. In the financial year 2010-2011 the following were members of the College Council:

Five College Officers *ex officio*

Dr Gordon Johnson	(President; Chair of the Council, to 30 September 2010)
Professor Richard J Evans	(President; Chair of the Council, from 1 October 2010)
Dr Donald MacDonald	(Vice-President)
Mr Christopher Lawrence	(Bursar; Secretary of the Council)
Dr Jane McLarty	(Senior Tutor)
Ms Karen Stephenson	(Development Director)

Ten* Fellows elected by the Governing Body

Mrs Susan Bowring	(from 1 October 2010)
Dr Ian Cross	(from 1 October 2010)
Dr Jennifer Davis	
Mrs Anna Jones	(from 1 October 2010)
Dr Charles Jones	
Dr Simon Lacoste-Julien	
Dr Lesley MacVinish	
Professor Tony Minson	
Dr Susan Oosthuizen	
Mr Andrew Reid	(to 30 September 2010)
Dr Roland Schwarz	(from 3 November 2010)
Dr Rebecca Simmons	(to 30 September 2010)

* *eight to 30 September 2010*

Three Students from the Wolfson College Student Association (WCSA)

President of WCSA:

Mr Paul Hurst	(to 4 November 2010)
Mr James Mitchell	(from 5 November 2010 to 8 May 2011)
Mr Imoh Ilevbare	(from 9 May 2011)

Vice-President of WCSA:

Mr Fraser Mashiter	(to 26 June 2010)
Mr Alex Dixon &	(from 5 November 2010)
Mr Imoh Ilevbare	(from 5 November 2010 to 8 May 2011)

Treasurer of WCSA:

Miss Tamara Hornik	(to 4 November 2010)
Mr Alex Dixon	(from 5 November to 31 December 2010)
Mr Aamir Mukadam	(from 1 January 2011)

The Governing Body, consisting of all Fellows of the College (other than Emeritus, Honorary and Visiting Fellows), is required by the College Statutes to be responsible for the approval of the annual audited accounts. The Governing Body meets at least four times in a year. The President is the Chair of the Governing Body and the Bursar is the Secretary.

A full list of the Governing Body Fellows can be found on the College website at:
www.wolfson.cam.ac.uk/fellows/govbody

The College's corporate governance arrangements are set out on page 12.

OBJECTS

The objects of the College are set out in its Royal Charter, effective from 1 January 1977, as follows:

1. to advance education, learning and research in the University of Cambridge;
2. to provide, for men or women who shall be members of the University, a College wherein they may work for degrees in the University or may carry out postgraduate or other special studies at Cambridge provided that no members of the College or any candidate for membership thereof shall be subject to any test of religious, social political or racial character;
3. to apply the moneys of the College to the purposes of the College with power to invest as prescribed in the Statutes of the College;
4. to administer any trust or scheme for purposes connected with the objects of the College; and
5. to do all such things as are incidental or conducive to the carrying out of the above objects.

PUBLIC BENEFIT

The following Public Benefit Statement was provided to the Charity Commission on registration in September 2010:

The College provides, in conjunction with the University of Cambridge, an education which is recognised internationally as being of the highest standard for some 850 undergraduate and graduate students. This education develops students academically and advances their leadership qualities and interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides:

- teaching facilities and individual or small-group supervision for undergraduates, as well as pastoral, administrative and academic support for all students through its tutorial and mentoring systems;
- social, cultural, musical, recreational and sporting facilities which enable each of its students to realise their academic and personal potential to the full whilst studying at the College.

The College advances research through:

- providing Research Fellowships to outstanding young academics in the early stages of their careers, which enables them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post;
- supporting the research work of its other Fellows by promoting interaction across disciplines and providing facilities for seminars;
- fostering academic networking by encouraging visits from outstanding academics from abroad as Visiting Fellows and Visiting Scholars.

The College maintains a Library which provides a valuable resource for students and Fellows of the College.

The resident members of the College, both students and Fellows, are the primary beneficiaries and are directly engaged in education, learning or research.

However, beneficiaries also include: students and academic staff from other Colleges in Cambridge and the University of Cambridge more widely, visiting academics from other higher education institutions and visiting alumni of the College who have an opportunity to attend educational events at the College or use its academic facilities. The general public is also able to attend various educational activities in the College such as lectures, seminars and concerts.

PUBLIC BENEFIT (continued)

The College admits students who have the highest potential for benefiting from the education provided by the College and the University, regardless of their financial, social, religious or ethnic background:

- there are no geographical restrictions in the College's objects and students and academic staff of the College are drawn from across the UK and internationally;
- there are no age restrictions in the College's objects but students of the College are predominantly aged 21 years and above; and
- there are no religious restrictions in the College's objects and members of the College have a wide variety of faith traditions or none.

The focus of the College is strongly academic and students are required to satisfy high academic entry requirements.

The College charges the following fees:

(a) College fees at externally regulated rates to undergraduates entitled to Student Support and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the Government); and a fee determined by the College annually to Overseas undergraduates and any Home/EU undergraduates not entitled to Student Support; and

(b) Accommodation and meal charges at reasonable rates.

In order to assist undergraduates entitled to Student Support, the College provides through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support for those of limited financial means. (For the academic year 2009-10, the number of awards made was 31, out of a Home/EU undergraduate population of 38; 9 were awarded the maximum mature student bursary of £5,400; 15 were awarded the maximum standard student bursary of £3,250; and a further 7 were awarded an average of £2,151). That scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. The scheme is widely advertised on the University website, on College websites and in the Admissions Prospectus.

To support the costs of both undergraduate and graduate students, the College provides various scholarships and bursaries, to help fund fees and living costs. The total awarded in 2009-10 was £34k.

The College also supports students through a grant scheme to assist with attendance at conferences and travel grants. The total awarded in 2009-10 was £12k.

In addition to its other programmes, the College operates a hardship scheme for students in financial hardship. The total awarded in 2009-10 was £11k.

To raise educational aspiration and attract outstanding applicants who might not otherwise have considered applying to Wolfson, the College holds open days, and provides guidance and information for prospective applicants on the College website and through the admissions staff in its Tutorial Office.

In order to fulfil its charitable purposes of advancing education, learning and research, the College employs as Fellows College Lecturers, Supervisors, Directors of Studies, Tutors and senior administrative officers. Seven of these serve as charity trustees through being members of the College Council. The employment of the President and Fellows is undertaken with the intention of furthering the College's aims and their employment directly contributes to the fulfilment of those aims. The private benefit accruing to the President and Fellows through salaries, stipends and employment-related benefits is objectively reasonable, measured against academic stipends generally; moreover annual pay increases normally follow national settlements applying to the university sector. Without the employment of Fellows, the College could not fulfil its charitable aims as a College in the University of Cambridge.

OPERATING AND FINANCIAL REVIEW

1 Student Numbers

The College admits full-time and part-time postgraduate students studying for PhDs and Masters courses; and full-time mature undergraduate students aged 21 and over. There was a large increase in student numbers at Wolfson in 2010-2011 (figures as reported by the University of Cambridge Student Statistical Office, as at 1 December each year):

Students	**2010-2011**	**2009-2010**	**Change**
Undergraduates	141	124	+14%
Full-time postgraduates	439	381	+15%
Part-time postgraduates	245	203	+21%
sub-total	**825**	**708**	**+17%**
Postgraduates writing up/under exam	150	166	-10%
Total	**975**	**874**	**+12%**

Evidence of this large increase appears in the accounts, both in Academic income (see note 1) and in all categories of expenditure.

Annual increases in student numbers are not sustainable. Wolfson College aims to offer accommodation on the College site to all undergraduates for the duration of their course; to all one-year Masters students; and to PhD students for three years. The College has this aim in the belief that an important part of the collegiate experience is the opportunity to live in College, and that the College's sense of community and continuity is helped by having students who live in College for two or more years. The College's accommodation is fully occupied, and there is no desire to build further student accommodation on site since the central shared facilities such as the dining hall, bar, gym, library and other meeting rooms are already fully utilised. Furthermore, there is great strain on the external rental market in Cambridge – Cambridge is a small city, with two universities, and there is currently no planning framework for total student numbers in the city. Therefore the College has reached its limit in terms of student numbers.

The introduction of £9,000 fees for undergraduates in the academic year 2012-2013 will have a significant impact on the number of mature undergraduates coming to Wolfson College in October 2012. If necessary, the College will be able to compensate for any shortfall in undergraduate student numbers by taking more one-year Masters students, but the College benefits from the presence of students on three- and four-year courses, and it is hoped that undergraduate numbers will recover in future years.

2 Income and Expenditure Account

The Income and Expenditure (I&E) account shows an operating surplus of £33k before a transfer of unspent endowment funds to the balance sheet, leading to a surplus retained in general reserves of £32k.

Academic income, at £1.85m, was 17% higher than in the previous year. This was largely due to the increase in the number of students, especially undergraduates, in particular those paying at the higher privately-funded undergraduate rate (see note 1). A one-off grant of £40k from Trinity College to support teaching also

OPERATING AND FINANCIAL REVIEW (continued)

contributed to this increase. Continuing support from Rolls-Royce (£95k) and the Herchel Smith benefaction to the University (£24k) are also included in academic income.

Residential and catering income increased slightly, by 4.7%. Most of that increase is explained by increases in prices rather than increases in usage: the College was at, or near, full capacity for most of the year, so there is little room for increased usage. The evidence is as follows: there are new postgraduate students who we cannot accommodate; we are unable to offer more than three years' accommodation to PhD students who require it; there are many Visiting Fellows, or would-be Visiting Fellows, who we cannot accommodate; and the dining hall is very busy throughout the year.

The income account shows a substantial increase in endowment and investment income (from £69k to £414k), as a result of the investment of the endowment in the Cambridge University Endowment Fund, as explained in detail below. Donation income (excluding the release of deferred capital grants) was up £4k on the previous year, at £109k. A detailed explanation of donation income is given below.

Turning to expenditure, the first point to note is that the figures for 2009-2010 have been restated as a result of the change in the policy for accounting for the College's buildings from depreciated replacement cost to historic cost. This means that the stated cost of the buildings has changed from £50.4m to £22.6m, and the net book value from £44.0m to £15.7m, as at 30 June 2010. The change in cost affects the amount of depreciation chargeable in the I&E account: the figure of £1.15m for depreciation in the accounts for 2009-2010 as presented last year becomes £0.6m in these accounts. This has had the effect of reducing depreciation as a proportion of expenditure from 20% to 12%. It is worth noting that the median figure for depreciation as a proportion of expenditure for the Cambridge colleges in 2009-2010 was 11%. In the 2010-2011 accounts, depreciation of £598k represents 11% of total expenditure.

The proportion of total expenditure (excluding depreciation) spent on staff costs was 55%. £310k was spent on pension contributions, representing 11.6% of staff costs.

3 Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses (STRGL) shows the movements that affect the balance sheet (other than in respect of deferred capital grants), and in 2010-2011 shows an overall gain of £2.4m. Of this, £1.7m is a gain on paper only, comprising an unrealised gain in investment assets of £1.2m (following a gain of £1.1m in the previous year) and an actuarial gain in the CCFPS pension scheme of £0.5m. Actual cash injections include a capital grant of £0.5m from the Colleges' Fund and new endowment funds of £133k.

4 Balance Sheet

The increase in the value of the balance sheet from £25.0m to £27.4m is explained in the STRGL. A number of capital transactions relating to refurbishment and acquisitions, costing £255k, appear only in the balance sheet and the cash flow statement, and do not appear in the Income and Expenditure account or the STRGL. The totals are shown in note 10, and the details are as follows:

Additions to buildings	**£k**
External works	48
Internal works	44
sub-total	**92**
Furniture, fittings, equipment	**£k**
Fire alarm upgrade	98
Dishwasher	22
Computers	43
sub-total	**163**
Total	**255**

OPERATING AND FINANCIAL REVIEW (continued)

The College's unrestricted funds amount to £23.9m and are represented in the balance sheet by operational buildings and part of the investment portfolio; and the restricted funds amount to £3.5m. The College has sufficient reserves to cover its pension liabilities. The College properties are valued at £43.9m for insurance purposes. This is the declared value, and the insurance policy allows for a further 25% cover, up to a total of £54.9m. This is lower than in previous years as a result of historic over-insurance (2010: £53.9m declared value, or £67.3m with the 25% uplift).

5 Endowment and Operational Reserves

Since 1 July 2010 the major part of the College's endowment has been invested in the Cambridge University Endowment Fund (CUEF).

The CUEF'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 for its distribution with a long-term rate of 4.25% of capital value. So the investment objective is therefore RPI+1% after distributions and costs.

The unit value of the CUEF, which had a total fund value of £1.53 billion at 30 June 2011, was as follows:

CUEF	**30 June 2011**	**30 June 2010**	**Increase**
Unit value	£35.63	£32.00	11.3%

The distribution per unit in 2010-11 was £1.45, giving a distribution yield of 4.54% on opening capital value. The total return for the CUEF for the year to 30 June 2011 was 16.1%.

The College invested £8.5m of its endowment funds in the CUEF on 30 June 2010, purchasing 265,397 units at £32.00 each. The College invested a further £500k in the CUEF on 1 October 2010 (made up of £430k of operational reserves and £70k of endowment funds), purchasing 14,997 units at £33.24 each.

The College's investment in the CUEF as at 30 June 2011 – before additional purchases on 30 June itself – was worth £10.0m (280,394 units). The College thus made capital gains of £997k in 12 months on its investment in the CUEF and in addition received distributions of £401k to apply for operational expenditure (as shown in note 3).

The College invested a further £698k on 30 June 2011, purchasing 19,592 units at £35.63 each, bringing the total number of units to 299,986 units, with a valuation as at 30 June 2011 of £10.7m. This £698k comprised £498k from the Colleges' Fund for use as endowment, and a further £200k of operational reserves.

The asset allocation of the CUEF was as follows:

CUEF asset classes	**30 June 2011**	**30 June 2010**
	%	%
Public equity	61	55
Equity long/short	7	9
Private investment	3	2
Absolute return incl. hedge funds	10	12
Credit	3	6
Real assets incl. property	13	13
Fixed interest/cash	3	3

In addition to its investment in the CUEF, the College still holds over £1m in endowment funds with Schroders. These are either illiquid assets (private equity and hedge funds) or cash to match outstanding liabilities on future private equity draw-downs, as follows:

OPERATING AND FINANCIAL REVIEW (continued)

Assets with Schroders	**30 June 2011**	**30 June 2010**
	£k	£k
Hedge Funds (sterling)	29	52
Private Equity (Euros)	869	479
Cash (sterling)	14	-
Cash (Euros)	272	451
Total	**1,184**	**982**

6 Fundraising

The College established an Alumni & Development Office (ADO) at the start of the 2008-2009 financial year. Fundraising is a major part of the role of the ADO, and the fundraising is geared either towards the annual fund (known as the Wolfson Fund), for spending in the current year, or towards the endowment. As set out above, the endowment creates a stream of income also for spending in the current year. Donations to the annual fund are shown in the Income and Expenditure (I&E) account, while donations to the endowment ('new endowments') are shown in the Statement of Total Recognised Gains and Losses (STRGL).

Donations in the last two financial years are as follows:

	2010-2011	**2009-2010**
	£k	£k
Donations shown in the I&E account	145	141
New endowments shown in the STRGL	133	131
Total Donations	**278**	**272**

The definition of 'donation' in RCCA is broad, and the figures are broken down as follows:

Donations in the I&E account	**2010-2011**	**2009-2010**
	£k	£k
Donations by individuals including Gift Aid	88	56
Microsoft Research (to support a Studentship)	21	21
Cambridge University Press	-	28
Release of Deferred Capital Grant	36	36
Total Donations in I&E account	**145**	**141**
New endowments in the STRGL		
Donations by individuals including Gift Aid	133	131
Total New endowments in STRGL	**133**	**131**

This therefore makes the total donations by individuals (including personal trusts and foundations) as follows:

Donations by individuals (including Gift Aid)	**2010-2011**	**2009-2010**
	£k	£k
In the I&E account	88	56
In the STRGL	133	131
Total donations by individuals	**221**	**187**

OPERATING AND FINANCIAL REVIEW (continued)

Such donations, whether made to the annual fund or the endowment, make a significant difference to what the College can achieve, especially in the area of student support. The number of individual donors to the College is increasing each year and in 2010-2011 there were 334 individual donors.

A major initiative by the ADO has been the launch of the Morrison Society in 2008. Membership of the Morrison Society is given to those who have made a pledge to the College in their Will, and enables the College to recognise and thank such supporters in their lifetime. At 30 June 2011 there were 38 members of the Morrison Society.

In addition to these amounts classified as donations (in the I&E account) and new endowments (in the STRGL), support for research fellowships and for teaching by Rolls-Royce (£95k), Trinity College (£40k) and the Herchel Smith benefaction to the University (£24k) are shown in Academic income in the I&E account. Further, the annual capital grant from the Colleges' Fund (£498k) is shown as a separate line in the STRGL.

CORPORATE GOVERNANCE

1 The following statement is provided by the Trustees 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 1138143) and subject to regulation by the Charity Commission for England and Wales. The members of the Council are the charity trustees and are responsible for ensuring compliance with charity law.

3 The Trustees are advised in carrying out their duties by a number of Committees, including:

Development	Educational Policy	Fellowship & Membership
Finance	Health & Safety	House
Personnel		

4 The principal College officers are the President, Vice-President, Bursar, Senior Tutor and Development Director.

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 Trustees on the appointment of external Auditor; to consider reports submitted by the Auditor; to monitor the implementation of recommendations made by the Auditor; and to make regular reports to the Trustees by way of minutes of its meetings. Membership of the Finance Committee includes all the principal College officers, other members of the Governing Body, the College Accountant and two officers of the Student Association.

6 Three members of the Governing Body, who are not members of the Finance Committee, are elected by the Governing Body to act as Inspectors of Accounts to serve a three-year term, with annual rotation of one Inspector.

7 There is a Register of Interests of Trustees. Declarations of interest are made systematically at all Governing Body, Council and committee meetings.

The College's Trustees during the year ended 30 June 2011 are set out on page 4.

STATEMENT OF INTERNAL CONTROL

1 The Trustees are 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 system 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 Trustees are responsible for reviewing the effectiveness of the system of internal control.

5 The Trustees' 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 Auditor in their management letter and other reports.

RESPONSIBILITIES OF THE GOVERNING BODY

The Governing Body is responsible for preparing the Annual Report and Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing these financial statements, the Governing Body is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Governing Body is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF WOLFSON COLLEGE

We have audited the financial statements of Wolfson College for the year ended 30 June 2011 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the reconciliation of net cash flow movement and related notes 1-26. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the statement of recommended accounting practice: Accounting for Further and Higher Education.

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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Auditor

As explained more fully in the statement of the Responsibilities of the Governing Body above, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as Auditor 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 the financial statements

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

Opinion on the 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- 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.

Opinion on other matters prescribed by the Statutes of the University of Cambridge

In our opinion:

- 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 AUDITOR'S REPORT (continued)

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 Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

Chartered Accountants and Statutory Auditor

Date:

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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 historic cost convention, modified in respect of the treatment of investments which are included at valuation.

Basis of consolidation

The College has three subsidiary companies, each of which is dormant. The financial statements of Lee Library Ltd, Wolfson College Cambridge Properties Ltd and Wolfson College Developments Ltd have not been consolidated in the financial statements of the College. The activities of student societies have not been consolidated, because they are not within the control of the College.

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 and other services rendered.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

This policy has been restated from depreciated replacement cost to historic cost, as outlined in note 24 of the accounts. Land and buildings are stated at cost. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and 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 capitalised as part of the cost of those assets.

A review for impairment of a fixed asset would be 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.

Maintenance 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.

Equipment

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.

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 (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 do not have to be capitalised since reliable estimates of cost or value are often not available on a cost-benefit basis. However, acquisitions both before and since 1 July 1999 have been capitalised at cost or, in the case of donated assets, at expert valuation. 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. Investment income is recognised as and when dividends and interest become receivable. Interest on bank deposits is included as earned.

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 benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxation

The College is a registered charity (number 1138143) 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.

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 both the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS).

The 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 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 CCFPS is a defined benefit scheme, which is contracted into the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The College is able to identify its share of the

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

underlying assets and liabilities of the scheme on a consistent and reasonable basis and an FRS 17 valuation is obtained as at 30 June annually. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period, and the College's net liability is shown in the Balance Sheet.

Going concern

The College's activities and financial position, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial Review which forms part of the Annual Report. The Governing Body has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

INCOME AND EXPENDITURE ACCOUNT

For the year ended 30 June	Note	2011	2010 Restated (note 24)
		£'000	£'000
INCOME			
Academic fees and charges	1	1,852	1,581
Residences, catering and conferences	2	3,084	2,945
Endowment and investment income	3	414	69
Donations	4	145	141
Total Income		**5,495**	**4,736**
EXPENDITURE			
Education	5	2,002	1,992
Residences, catering and conferences	6	3,180	2,839
Other expenditure	7	280	255
Total Expenditure	8	**5,462**	**5,086**
Surplus / (deficit) on continuing operations		**33**	**(350)**
(Surplus) / deficit for the year transferred to accumulated income in endowment funds		(1)	31
Surplus / (deficit) for the year retained within general reserves		**32**	**(319)**

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

There is no difference between the result for the year and the result on an historic cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 June		2011	2011	2011	2010 Restated (note 24)
		Restricted Funds	Unrestricted Funds	Total	Total
	Note	£'000	£'000	£'000	£'000
Surplus / (Deficit) on Income and Expenditure Account		-	32	32	(319)
Unspent / (overspent) endowment fund income		2	(1)	1	(31)
Increase in market value of investments:					
- Endowment investments	19	204	921	1,125	1,053
- Fixed asset investments	20	-	80	80	-
New endowments	19	40	93	133	131
Capital grant from Colleges' Fund		-	498	498	460
Transfers		-	-	-	(63)
Actuarial gain / (loss) in pension scheme	17	-	486	486	(219)
Total recognised gains for the year		**246**	**2,109**	**2,355**	**1,012**
Prior year adjustment as explained in note 24	24	**-**	**396**	**396**	
Total gains recognised since last annual report and financial statements		**246**	**2,505**	**2,751**	
Reconciliation					
Opening reserves and endowments		**1,681**	**21,776**	**23,457**	**22,445**
Total recognised gains for the year		246	2,109	2,355	1,012
Closing reserves and endowments		**1,927**	**23,885**	**25,812**	**23,457**

The above figures exclude Deferred Capital Grants of £1,549,000 (2010 £1,585,000), shown on the Balance Sheet.

BALANCE SHEET

As at 30 June	Note	2011	2010 Restated (note 24)
		£'000	£'000
FIXED ASSETS			
Tangible Assets	10	16,133	16,476
Investments	11	710	-
Total Fixed Assets		**16,843**	**16,476**
ENDOWMENT ASSETS			
Investments	12	11,161	9,475
Cash	14	225	154
Total Endowment Assets		**11,386**	**9,629**
CURRENT ASSETS			
Stocks		69	74
Debtors	13	432	371
Cash at bank and in hand	14	1,085	1,191
Total Current Assets		**1,586**	**1,636**
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(1,020)	(778)
Net Current Assets		**566**	**858**
Total assets less current liabilities		**28,795**	**26,963**
Creditors: amounts falling due after more than one year	16	(1,200)	(1,200)
Net Assets excluding pension liability		**27,595**	**25,763**
Net pension liability	17	(234)	(721)
NET ASSETS including pension liability		**27,361**	**25,042**

	Restricted Funds	Unrestricted Funds	Total 2011	Total 2010 Restated (note 24)
	£'000	£'000	£'000	£'000
Deferred Capital Grants	1,549	-	**1,549**	1,585
Endowments				
Expendable funds	1,205	-	**1,205**	1,047
Permanent funds	722	9,459	**10,181**	8,582
Total Endowments	**1,927**	**9,459**	**11,386**	**9,629**
Reserves				
General reserves excluding pension reserve	-	14,660	**14,660**	14,549
Pension reserve	-	(234)	**(234)**	(721)
Total Endowments and Reserves	**1,927**	**23,885**	**25,812**	**23,457**
TOTAL FUNDS	**3,476**	**23,885**	**27,361**	**25,042**

The financial statements were approved by the Governing Body on 9 November 2011 and signed on its behalf by:

Christopher Lawrence
Bursar

CASH FLOW STATEMENT

For the year ended 30 June	Note	2011 £'000	2010 Restated (note 24) £'000
Net cash inflow from operating activities	21	423	53
Returns on investments and servicing of finance	22	356	11
Capital expenditure and financial investment	22	(814)	(866)
Decrease in cash in year		**(35)**	**(802)**

Reconciliation of net cash flow to movement in net funds

Decrease in cash in year		(35)	(802)
Change in net funds		**(35)**	**(802)**
Net funds at beginning of year		1,345	2,147
Net funds at end of year	23	**1,310**	**1,345**

NOTES TO THE ACCOUNTS

	For the year ended 30 June	2011	2010 Restated (note 24)
		£'000	£'000
1	**ACADEMIC FEES and CHARGES**		
	College Fees		
	Publicly-funded undergraduate rate of £3,861 (2010 £3,744)	325	263
	Privately-funded undergraduate rate of £4,440 (2010 £4,272)	295	190
	Graduate rate of £2,229 (2010 £2,184)	978	921
	Other rates	34	28
	Other		
	Fellows' research sponsorship	132	123
	Teaching and other income	61	34
	College courses	27	22
		1,852	**1,581**
2	**RESIDENCES, CATERING and CONFERENCES**		
	Accommodation		
	College members	2,513	2,384
	Conferences	40	53
	Catering		
	College members	505	480
	Conferences	26	28
		3,084	**2,945**
3	**ENDOWMENT and INVESTMENT INCOME**		
	Income from:		
	Quoted securities - equities	-	54
	Quoted securities - fixed interest	-	1
	Unquoted securities - equities	-	8
	Unquoted securities - unit trust *	401	-
	Cash	13	6
		414	**69**
	* invested in Cambridge University Endowment Fund units		
4	**DONATIONS**		
	Unrestricted donations	109	105
	Release of deferred capital grants	36	36
		145	**141**

NOTES TO THE ACCOUNTS

For the year ended 30 June	**2011**	**2010 Restated (note 24)**
	£'000	**£'000**
5 EDUCATION EXPENDITURE		
Teaching	758	702
Tutorial	408	442
Admissions	273	293
Research	270	260
Scholarships and awards	90	94
Other educational facilities	186	175
College courses	17	26
	2,002	**1,992**
6 RESIDENCES, CATERING and CONFERENCES EXPENDITURE		
Accommodation		
College members	2,150	1,950
Conferences	34	44
Catering		
College members	948	791
Conferences	48	54
	3,180	**2,839**

Accommodation and catering expenditure is apportioned between College members and conferences in line with income.

7 OTHER EXPENDITURE		
Development and alumni relations	211	183
Loan interest	58	58
Cultural activities	11	14
	280	**255**

NOTES TO THE ACCOUNTS

Year to 30 June

8a ANALYSIS OF EXPENDITURE BY ACTIVITY

	Note	Staff Costs (note 9)	Other Expenses	Depreciation	Total
		2011	**2011**	**2011**	**2011**
		£'000	**£'000**	**£'000**	**£'000**
Education	5	1,042	818	142	2,002
Residential and Catering	6	1,513	1,219	448	3,180
Other	7	101	171	8	280
		2,656	**2,208**	**598**	**5,462**
		2010 Restated (note 24)	**2010 Restated (note 24)**	**2010 Restated (note 24)**	**2010 Restated (note 24)**
		£'000	**£'000**	**£'000**	**£'000**
Education	5	976	882	134	1,992
Residential and Catering	6	1,442	950	447	2,839
Other	7	88	159	8	255
		2,506	**1,991**	**589**	**5,086**

8b AUDITOR'S REMUNERATION

	2011	2010
	£'000	**£'000**
Other operating expenses include:		
Audit fees payable to the College's external auditor	16	15

9 STAFF COSTS

	College Fellows	Non-Academic	Total 2011	Total 2010 Restated (note 24)
	£'000	**£'000**	**£'000**	**£'000**
Staff Costs:				
Salaries	305	1,889	2,194	2,074
Social security costs	24	129	153	147
Other pension costs	43	266	309	285
	372	**2,284**	**2,656**	**2,506**
Average Staff numbers (full-time equivalents):				
Academic	10	-	10	9
Non-academic	-	77	77	78
	10	**77**	**87**	**87**

There were 156 Fellows in the Governing Body as at 1 October 2010, 22 of whom were stipendiary, as declared above.

No officer or other employee of the College, including the President, received emoluments of over £100,000.

NOTES TO THE ACCOUNTS

Year to 30 June

10 TANGIBLE FIXED ASSETS	2011 Freehold Buildings	2011 Furniture, Fittings and Equipment	2011 Heritage Assets	2011 Total	2010 Restated (note 24) Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 July	22,569	1,843	365	24,777	24,561
Additions at Cost	92	163	-	255	216
Cost as at 30 June	**22,661**	**2,006**	**365**	**25,032**	**24,777**
Depreciation					
As at 1 July	6,885	1,417	-	8,302	7,712
Charge for the Year	453	144	-	597	589
Depreciation as at 30 June	**7,338**	**1,561**	-	**8,899**	**8,301**
Net Book Value					
As at 30 June 2011	**15,323**	**445**	**365**	**16,133**	**16,476**
As at 30 June 2010	**15,684**	**426**	**365**	**16,476**	**16,848**

The insured declared value of freehold buildings as at 30 June 2011 was £43,896,409 (2010: £53,838,194).

Heritage assets

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance.

As stated in the Statement of Principal Accounting Policies, heritage assets acquired since 1 July 1999 have been capitalised. The College has also capitalised heritage assets acquired prior to 1 July 1999, using valuations and estimates obtained when the capitalisation took place in 2008-09.

There have been no acquisitions in the current year, or in the prior four years.

NOTES TO THE ACCOUNTS

	Year to 30 June	2011 £'000	2010 Restated (note 24) £'000
11	**FIXED ASSET INVESTMENTS**		
	Balance at beginning of year	-	-
	Additions	630	-
	Appreciation	80	-
	Balance at end of year	**710**	**-**
	Represented by:		
	Unquoted securities - unit trust	710	-
		710	**-**
12	**ENDOWMENT ASSETS**		
	Unquoted securities - unit trust	9,977	8,493
	Unquoted securities - equities	1,170	531
	Cash held for reinvestment	14	451
	Total	**11,161**	**9,475**

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. All three subsidiary companies are dormant.

		2011 £'000	2010 £'000
13	**DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**		
	Members of the College	192	205
	Amounts due from subsidiary undertakings	1	1
	Other debtors	214	148
	Prepayments and accrued income	25	17
		432	**371**
14	**CASH and BANK BALANCES**		
	Short-term money market investments	800	-
	Bank current accounts	498	1,337
	Cash in hand	12	8
		1,310	**1,345**
	Held in:		
	Endowment assets	225	154
	Current assets	1,085	1,191
		1,310	**1,345**
15	**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**		
	Trade creditors	720	522
	Members of the College	153	111
	Other creditors (PAYE, NI, VAT)	56	56
	Accruals and deferred income	91	89
		1,020	**778**

NOTES TO THE ACCOUNTS

Year to 30 June	2011	2010 Restated (note 24)
	£'000	£'000

**16 CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2011	2010
Bank Loan	**1,200**	**1,200**

The bank loan is secured on the College's investment portfolio. The rate of interest payable on the loan is 4.808% fixed plus a marginal variable rate. The marginal variable rate averaged 0.006% during 2010-2011. The loan is repayable in September 2048.

17 PENSION LIABILITIES

	2011	2010
Balance at 1 July	(721)	(520)
Movement in the year:		
Current service cost including life assurance	(200)	(146)
Contributions	217	198
Other finance cost	(16)	(34)
Actuarial gain / (loss) recognised in the Statement of Total Recognised Gains and Losses	486	(219)
Balance at 30 June	**(234)**	**(721)**

18 DEFERRED CAPITAL GRANTS

	2011	2010
Balance at 1 July	1,585	1,444
Donations received	-	15
Transfers	-	162
Released to income and expenditure account	(36)	(36)
Balance at 30 June	**1,549**	**1,585**

NOTES TO THE ACCOUNTS

Year to 30 June

19 **ENDOWMENTS**	**Restricted Permanent**	**Unrestricted Permanent**	**Total Permanent**	**Restricted Expendable**	**Total 2011**	**Total 2010 Restated (note 24)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Endowments under previous accounting policies	635	7,457	8,092	650	8,742	7,225
Prior year adjustments (note 24)	-	491	491	396	887	790
Endowments as restated	635	7,948	8,583	1,046	9,629	8,015
Balance at 1 July						
Capital	614	7,941	8,555	956	9,511	7,866
Unspent income	21	7	28	90	118	149
Total Balance at 1 July	**635**	**7,948**	**8,583**	**1,046**	**9,629**	**8,015**
New endowments received	13	591	604	27	631	591
Income receivable from endowment investment	18	28	46	39	85	11
Expenditure	(25)	(29)	(54)	(30)	(84)	(42)
Net transfer from / (to) income and expenditure account	(7)	(1)	(8)	9	1	(31)
Increase in market value of investments	81	921	1,002	123	1,125	1,053
Balance at 30 June						
Capital	708	9,453	10,161	1,106	11,268	9,511
Unspent Income	14	6	20	99	119	118
Total Balance at 30 June	**722**	**9,459**	**10,181**	**1,205**	**11,386**	**9,629**
Representing:						
Fellowship Funds	-	137	137	381	518	448
Scholarship Funds	-	549	549	703	1,252	1,108
Prize Funds	7	-	7	8	15	8
Support Funds	471	-	471	31	502	455
Bursary Funds	-	13	13	53	66	35
Travel Grant Funds	31	-	31	-	31	27
Library Funds	213	-	213	6	219	196
Other Funds	-	100	100	23	123	102
General Endowments	-	8,660	8,660	-	8,660	7,250
	722	**9,459**	**10,181**	**1,205**	**11,386**	**9,629**

NOTES TO THE ACCOUNTS

Year to 30 June

20 RESERVES

	General Reserves	Total 2011	Total 2010 Restated (note 24)
	£'000	**£'000**	**£'000**
Reserves under previous accounting policies	14,715	14,715	15,220
Prior year adjustments (note 24)	(887)	(887)	(790)
Reserves as restated	13,828	13,828	14,430
Balance at 1 July	**13,828**	**13,828**	**14,430**
Surplus / (deficit) for the year	32	32	(319)
Actuarial gain / (loss) on pension scheme	486	486	(219)
Transfers	-	-	(64)
Increase in market value of investments	80	80	-
Balance at 30 June	**14,426**	**14,426**	**13,828**

NOTES TO THE ACCOUNTS

	Year to 30 June	2011 £'000	2010 £'000
21	**RECONCILIATION of OPERATING SURPLUS / (DEFICIT) to NET CASH INFLOW from OPERATING ACTIVITIES**		
	Surplus / (deficit) on continuing operations	33	(350)
	Depreciation of tangible fixed assets	597	589
	Deferred capital grants released to income	(36)	(36)
	Investment income	(414)	(69)
	Interest payable	58	58
	Pension costs less contributions payable	(1)	(19)
	Decrease in stocks	5	-
	Increase in debtors	(61)	-
	Increase / (decrease) in creditors	242	(120)
	Net cash inflow from operating activities	**423**	**53**
22	**CASH FLOWS**		
	Returns on investments and servicing of finance		
	Endowment and investment income received	414	69
	Interest paid	(58)	(58)
	Net cash inflow from returns on income and servicing of finance	**356**	**11**
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(255)	(216)
	Capital grant received from Colleges Fund	498	460
	Net purchase of long-term investments	(1,190)	(1,241)
	New endowments received	133	131
	Net cash outflow from capital expenditure and financial investment	**(814)**	**(866)**

		At 30 June 2010 £'000	Cash Flows £'000	At 1 July 2011 £'000
23	**ANALYSIS OF CASH and BANK BALANCES**			
	Cash at Bank and in hand	1,345	(35)	1,310
	Net funds	**1,345**	**(35)**	**1,310**

NOTES TO THE ACCOUNTS

24 PRIOR YEAR ADJUSTMENT

Since the previous audit, the Governing Body has approved a change in accounting policy for buildings from depreciated replacement cost to historic cost. The Governing Body considers that the new policy provides a truer and fairer presentation of the result and of the financial position of the College. The reasons for the change were four-fold:

(i) relevance – the buildings are inalienable, so revaluations serve no purpose;
(ii) reliability – reliable historic cost records have been established;
(iii) comparability – the majority of Cambridge colleges do not revalue their buildings for accounting purposes; and
(iv) understandability – the change results in more readily understandable accounts.

The comparative figures in the primary statements and notes have been restated to reflect the new policy. The effects of the change in policy are summarised below:

	2011 £'000	2010 £'000
Income and Expenditure Account		
Income		
Release of deferred capital grants	(23)	(23)
Expenditure		
Depreciation of freehold buildings	410	419
Improvement in result for the year	**387**	**396**
Balance Sheet		
Tangible assets	(28,585)	(28,198)
Decrease in net assets	**(28,585)**	**(28,198)**
Increase in deferred capital grants	**(141)**	**(118)**

In addition, in order to comply with the SORP, as stated in the Statement of Principal Accounting Policies, reserves previously classified as unrestricted designated reserves have been reclassified as follows:

Reserves		
Unrestricted permanent	491	493
Restricted expendable	396	297
Unrestricted designated	(887)	(790)
Net effect	**-**	**-**

NOTES TO THE ACCOUNTS

25 PENSION SCHEMES

The College participates in two defined benefit schemes, the Cambridge Colleges Federated Pension Scheme (CCFPS) and the Universities Superannuation Scheme (USS).

25a 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 30 June 2011.

The contribution made by the College in respect of the 12 months ended 30 June 2011 was £216,515 (£198,272 for 12 months ended 30 June 2010), excluding PHI contributions. The College's agreed contribution rate required for future service benefits is 19.31% of salaries plus £35,853 p.a. from 1 July 2011, subject to review at future actuarial valuations.

The College has obtained a valuation of the assets and liabilities as at 30 June 2011.

FRS 17 Disclosures

The most recent full actuarial valuation of the scheme was as at 31 March 2008. 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 2011	**30 June 2010**
Discount rate	5.50%	5.30%
Expected long-term rate of return on scheme assets	6.20%	6.30%
Increase in salaries	3.20%*	4.40%
Retail Prices Index (RPI) assumption	3.40%	3.40%
Consumer Prices Index (CPI) assumption	2.70%	n/a
Pension increases (RPI linked)	3.40%	3.40%
Pension increases (RPI linked capped at 5% pa)	3.20%	3.20%

**2.0% in 2011 and then 3.2% pa thereafter*

The major categories of Scheme assets as a percentage of total Scheme assets are as follows:

	2011	**2010**
Equities & Hedge Funds	56%	59%
Bonds & Cash	36%	32%
Property	8%	9%
Total	**100%**	**100%**

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the table above and an expected rate of return on those asset categories shown in the table below.

	Long term rate of return expected at 30 June 2011	**Value £'000**	**Long term rate of return expected at 30 June 2010**	**Value £'000**	**Long term rate of return expected at 30 June 2009**	**Value £'000**
Equities & Hedge Funds	7.1%	1,675	7.1%	1,404	7.1%	959
Bonds & Cash	4.8%	909	4.7%	761	5.0%	859
Property	6.1%	255	6.1%	214	6.1%	180
Total		**2,839**		**2,379**		**1,998**

NOTES TO THE ACCOUNTS

25 PENSION SCHEMES (continued)

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

	30 June 2011	30 June 2010	30 June 2009
	£'000	£'000	£'000
Total value of assets	2,839	2,379	1,999
Present value of defined benefit obligation - liabilities	(3,073)	(3,100)	(2,520)
Deficit in Scheme	(234)	(721)	(521)
Net pension liability	**(234)**	**(721)**	**(521)**

	30 June 2011	30 June 2010
Amounts recognised in the Profit & Loss	**£'000**	**£'000**
Current service cost	200	146
Interest cost	167	157
Expected return on assets	(151)	(123)
Total operating charge	**216**	**180**
Actual return on assets	**(342)**	**(268)**

	30 June 2011	30 June 2010
Changes in the present value of the defined benefit obligation	**£'000**	**£'000**
Opening defined benefit obligation	**3,100**	**2,520**
Service cost (including employee's contribution)	210	183
Interest cost	167	157
Actuarial (gains) / losses	(296)	364
Benefits paid	(108)	(124)
Closing defined benefits obligation	**3,073**	**3,100**

	30 June 2011	30 June 2010
Changes in the fair value of scheme assets	**£'000**	**£'000**
Opening fair value of scheme assets	**2,379**	**1,999**
Expected return	151	123
Actuarial gains	190	145
Contributions by employer	217	198
Additional contributions by members (including AVCs)	10	38
Benefits paid	(108)	(124)
Closing fair value of scheme assets	**2,839**	**2,379**

NOTES TO THE ACCOUNTS

25 PENSION SCHEMES (continued)

Amount recognisable in statement of total recognised gains and losses (STRGL)

	30 June 2011	30 June 2010
	£'000	£'000
Actual return less expected return on Scheme assets	190	145
Experience gains and losses arising on Scheme liabilities	(22)	3
Changes in assumptions underlying the present value of Scheme liabilities	318	(367)
Actuarial gain/(loss) recognised in STRGL	**486**	**(219)**

Amounts for the current and previous four periods

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(3,073)	(3,100)	(2,520)	(2,419)	(2,277)
Scheme assets	2,839	2,379	1,999	2,090	1,989
Deficit	**(234)**	**(721)**	**(521)**	**(329)**	**(288)**
Experience adjustments on Scheme assets	190	145	(304)	(242)	7
Experience adjustments on Scheme liabilities	(22)	3	(23)	61	(42)
Change in assumptions underlying present value of Scheme liabilities	318	(367)	146	77	117

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is £215,378 at 30 June 2011 (£701,807 at 30 June 2010).

25b Universities Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is 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 Limited.

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 2008. 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), the rates of increase in salaries 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

NOTES TO THE ACCOUNTS

25 PENSION SCHEMES (continued)

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 at 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 market value of the assets of the scheme was £28,842.6 million and the value of the past service liabilities and provision for expenses was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were 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 Pension Protection Fund regulations introduced by the Pension Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS were a single employer scheme, the actuary estimated that the funding level would have been approximately 104%.

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 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 12 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 condition. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2011 was 86% and on a buy-out basis was approximately 54%.

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

Surpluses or deficits which arise at future valuations may affect the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used similarly to reduce contribution requirements. The sensitivities regarding the principal assumptions used 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%	Decrease/increase by £2.2 billion
Rate of pension increases	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 the valuation)	Increase by £1.6 billion

NOTES TO THE ACCOUNTS

25 PENSION SCHEMES (continued)

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the 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 to take investment risk relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views 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 provisions close to or above 100% thereby minimising the risk of the 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.

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

At 31 March 2011, USS had over 142,000 active members and the institution had 39 active members participating in the scheme.

The total pension cost for the College was £140,378 (£125,507 in 2010). The contribution rate payable by the College was 16% of pensionable salaries.

26 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.