TRINITY HALL
CAMBRIDGE

ACCOUNTS FOR THE YEAR ENDED

30 June 2010

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TRINITY HALL
Governing Body and Advisers
For the Year Ended 30 June 2010

Governing Body

Master: Professor Martin Daunton
Bursar: Mr Paul ffolkes Davis
Senior Tutor: Dr Nick Bampos

Professor Tom Körner
Dr Peter Hutchinson
Dr Christopher Padfield
Professor Paul Julian Smith
Professor Michael Kelly
Dr Simon Guest
Dr Mike Hobson
Professor John Clarkson
Professor James Montgomery
Dr Florian Hollfelder
Professor Brian Cheffins
Dr Simon Moore
Dr Vasant Kumar
Mr Angus Johnston
Dr John Bradley
Dr Clare Jackson
Dr Jan Schramm
Dr Louise Haywood
Revd Dr Jeremy Morris
Dr Cristiano A Ristuccia
Dr Ian B Wilkinson
Dr Graham Pullan
Dr Richard Miles
Dr Matthew D Conaglen
Dr John F Pollard
Dr Kylie Richardson
Dr Jerome Jarrett
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Dr Edmund R S Kunji
Dr Francois-David Todd
Dr William O'Reilly
Dr Isabelle McNeill
Dr Lucia Prauscello
Dr Heiko Ziebell
Dr Teresa Shawcross
Dr Frederik Tilman
Dr Albert Guillen i Fabrigas
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Dr Anne-Sophie Kaloghiros
Dr Patricia Londono
Dr Jane Partner
Dr Ciara Fairley
Mr Martin Ruehl
Dr Lorand Bartels
Dr Damien Crowther
Dr Andrew Murray
Dr Gunnar Moller
Professor John Trowsdale
Dr Teruyoshi Yoshida
Dr Fraser MacBride
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Ms Elena Cooper
Dr Farhan Feroz
Dr Stephen Leonard

Auditors

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Bankers

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Cambridge
CB2 3PZ

Solicitors

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Principal Property Advisers

Carter Jonas
6-8 Hills Road
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TRINITY HALL
Bursar's Report
For the Year Ended 30 June 2010

Introduction

The accounts this year are a real curate's egg. They show the largest deficit the College has ever recorded (£1,925,545 after transfers to reserves) and yet this belies an underlying strength of the sort we have not seen for several years. Academic fee income was higher, costs were controlled, the endowment was up massively, the Unapplied Total Return pot grew encouragingly, our conference and banqueting business blossomed (at last!), and the long-term loan investments prospered while the debt was serviced painlessly. Against this, gifts and benefactions were considerably lower, perhaps not surprisingly given the state of the economy, and our pension liabilities blew out by £545,000. So, given so many pluses compared with so few minuses, why was the deficit more than another half a million pounds worse before transfers than the year before? The real answer is that it was not. Last year the results were artificially flattered by the second half of the reserve we were able to create out of two unexpected, and unexpectedly large, legacies. Deploying this reserve added £620,000 to the bottom line in 2008/9. Without it the deficit before transfers would have actually narrowed by £115,000 this year. Despite appearances, things really are moving in the right direction.

Income and Expenditure Account

Academic fee income was up 5% over the period, while lower accommodation charges to College members were offset by greater student use of hall. The key to the overall decline in income rests, however, with two important categories. Donations that we can spend (as against those we cannot, such as those intended for the endowment, which feature in the Statement of Total Recognised Gains and Losses or STRGL) were 42% lower (or over £300,000). This is not surprising in a very difficult environment for philanthropy. Overall, the 'Other' line declined by 45% with most of the remainder being explained by the absence of any significant property sales. The total return from our endowment was also lower by 10% or roughly £420,000, but as outlined above last year's figure was extraordinarily bolstered by £620,000 of reserve monies – stripping this out reveals that our endowment income was, as expected, 5% or just over £200,000 better.

There are only two income engines over which Trinity Hall is able to exercise any real influence. They are our Development and Conference/Banqueting activities. As we have seen, fundraising has suffered from the general economic malaise, though as a look at our non-spendable gifts will show when we look at the STRGL, Trinity Hall's Development Office has actually performed impressively in seeking to replace the loss of the big-ticket donations on which the College has come to rely to break even. The good news is that, at last, we are making real progress with our 'hospitality' business, where income has risen 67% (£244,000); an improvement which allows this activity to support a higher level of College expenditure. The growth in this activity is very gratifying and a testament to all the hard work that has been put in by the Conference and Banqueting Office, though it should be born in mind that we are coming from a very low base. The trick now will be to keep the momentum going.

On the expenditure side, staff costs remain by far the largest figure, though only up 3% (£134,000), representing 42% of the whole, one can reasonably hope that wage inflation, a perennial problem, is finally starting to abate. Costs are apportioned across College departments in accordance with a set formula and this has produced a 3% (£130,000) increase in the education line and another 3% rise (£68,000) in 'Other', which is predominantly composed of the interest on our long-dated borrowing and investment managers' fees. Overall, total expenditure rose by only 0.2% or just £22,500 – in the context of £11.5 million of Trinity Hall expenditure this is negligible and the lowest annual increase I have seen.

The total deficit after transfers of £1,925,545 has not benefited from the transfer in of income to cover unusually high restricted fund expenditure, itself the result of the historical catch-up exercise carried out last year by the Chief Clerk and Development Director. With different accounting assumptions, most obviously the adoption of the depreciation charge regime used by some other colleges, this deficit could be greatly reduced. Perhaps this suggests that, though more consistent and transparent than the past, Cambridge colleges accounting under the RCCA guidelines currently employed remains surprisingly inconsistent and arbitrary.

TRINITY HALL
Bursar's Report
For the Year Ended 30 June 2010

Statement of Total Recognised Gains and Losses, Balance Sheet and Other Highlights

After the market bust of 2009, we have had the recovery and Trinity Hall has done well. The value of all our investments, including those purchased with the proceeds of our long-term loan, has risen by £15 million or 16% to £108.3 million, while the endowment alone has gained £12 million or 18% to £80.3 million. The still better news is that this improvement has continued beyond the June year-end. Gifts for the endowment (i.e. those we cannot spend) are lower again, by £366,000 (33%) to £758,000, as they were the year before, when they declined £1.46 million. The reason is the same: the lack of any large seven figure donations of the sort we had become used to. There are two lessons to learn here: firstly, how well the Development Office team has done to replace the £1,000,000 single gift we had received the year before (effectively, they brought in £634,000 extra), and, secondly, how important it is to the College to keep its major donors engaged. Without consistent levels of large-scale giving, Trinity Hall just cannot break even.

The pensions time bomb continues to explode in slow and terrifying motion. Our liability to CCFPS, the College's scheme for staff, increased by another £545,000 (29%) to £2.42 million in a year when we closed it to new joiners, put up contribution rates for existing members, enjoyed strong investment returns, and implemented a phased payment scheme to close the gap. Why? Because yet again we suffered the effects of arbitrary actuarial changes in assumptions. It is not obvious how we are ever to get on top of this. During the year the Balance Sheet total grew by £11.8 million to £191 million thanks to the growth in investment funds (albeit, tempered by the pensions liabilities). Though a somewhat academic figure, it is still comforting to see it grow.

Cash Flow and Other Highlights

During the year our net cash decreased by £191,000, compared with £394,500 in 2009. One could argue that, on a turnover of over £9.5 million, this was a reasonable indication that on a cash-in, cash-out basis (one some Fellows like to use), Trinity Hall was just about washing its face. One of the encouraging signs that we are controlling costs is how the capital account has been curtailed. We have no new building projects in hand and through dedicating our in-house maintenance resources to some important tasks where outside contactors might have been engaged in the past (the redecoration of Chapel and the refurbishment of all of P staircase being just two), we have succeeded in both maintaining the operational estate and keeping a lid on costs. If we are to restart the building programme, benefaction will be needed to pay for it. Until then, the depreciation is likely to remain unchanged, as it is this year, at just under £2 million.

Servicing the long-term borrowings costs about £1.21 million in interest and another £100,000 in property agent's fees for managing the Hills Road property we bought with part of the funds. Rent, interest and dividends received from the investments already made with part of the money amounted to £775,000. The shortfall of £535,000 reduces the value of the capital growth of these funds to around £27.5 million. Given the very difficult credit and investment environment since we took out this loan, this enhancement in value has been encouraging, especially as it has continued since year end. Lastly, it is pleasing to note that the Unapplied Total Return Pot rose by £13.5 million to £53.5 million. This is a useful measure of our financial viability, and suggests there is enough in it to cover the current the annual deficit for 26 years. A cheery thought.

P ffolkes Davis
17th December 2010

We have audited the financial statements which comprise the parent and consolidated income and expenditure account, the parent and consolidated statement of total recognised gains and losses, the parent and consolidated balance sheet, the consolidated cash flow statement and related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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

Respective Responsibilities of the Governing Body and Auditor

The Governing Body's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Governing Body. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and 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 the College's Statutes and the Statutes of the University of Cambridge. We also report to you if, in our opinion, the Bursar's Report is not consistent with the financial statements, if the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Officers' remuneration and transactions with the College is not disclosed.

We read other information contained in the Bursar's Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and 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 by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the information in the financial statements.

Opinion

In our opinion the financial statements:
- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College and the Group's affairs as at 30 June 2010 and of the deficit of the College and the Group for the year then ended; and
- have been properly prepared in accordance with the College's Statutes and 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.

In our opinion the information given in the Bursar's report is consistent with the financial statements.

CHATER ALLAN LLP
Registered Auditors

Beech House, 4A Newmarket Road, Cambridge

22 December 2010

Responsibilities of the Governing Body

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

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

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

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

TRINITY HALL
Parent Income and Expenditure Account
For the Year Ended 30 June 2010

	Note	Unrestricted Funds Undesignated Funds	Unrestricted Funds Designated Funds	Restricted Funds	Year Ended 30 June 10 Total	Year Ended 30 June 09 Total
		£	£	£	£	£
INCOME						
Academic Fees and Charges	1	1,864,966	-	144,593	2,009,559	1,904,935
Residences, Catering and Conferences	2	3,199,836	-	-	3,199,836	2,946,603
Endowment Income	3	2,617,315	536,435	735,755	3,889,505	4,309,112
Other Income	4	106,741	332,506	58,439	497,686	914,505
Total Income		7,788,858	868,941	938,787	9,596,586	10,075,155
EXPENDITURE						
Education	5	2,967,052	744,871	966,675	4,678,598	4,548,502
Residences, Catering and Conferences	6	4,480,540	-	-	4,480,540	4,655,850
Other Expenditure	8c	2,341,191	-	-	2,341,191	2,273,447
Total Expenditure		9,788,783	744,871	966,675	11,500,329	11,477,799
Operating Surplus/(Deficit)		(1,999,925)	124,070	(27,888)	(1,903,743)	(1,402,644)
Contribution Under Statute G,II		27,771	11,519	14,710	54,000	50,000
Net Surplus/(Deficit) before Transfers		(2,027,696)	112,551	(42,598)	(1,957,743)	(1,452,644)
Transfer between funds		(5,200)	(5,200)	10,400	-	-
Transfer of Restricted Fund Surplus from/(to) Reserves		-	-	32,198	32,198	423,086
Net Surplus/(Deficit) after Transfers		(2,032,896)	107,351	-	(1,925,545)	(1,029,558)

TRINITY HALL
Consolidated Income and Expenditure Account
For the Year Ended 30 June 2010

	Year Ended 30 June 10 £	Year Ended 30 June 09 £
INCOME		
Academic Fees and Charges	2,009,559	1,904,935
Residences, Catering and Conferences	3,206,909	2,954,085
Endowment Income	3,889,517	4,309,204
Other Income	498,036	906,885
Total Income	9,604,021	10,075,109
EXPENDITURE		
Education	4,678,598	4,548,502
Residences, Catering and Conferences	4,480,540	4,655,850
Other Expenditure	2,348,626	2,273,401
Total Expenditure	11,507,764	11,477,753
Operating Surplus/(Deficit)	(1,903,743)	(1,402,644)
Contribution Under Statute G,II	54,000	50,000
Net Surplus/(Deficit) before Transfers	(1,957,743)	(1,452,644)
Transfer of Restricted Fund Surplus from/(to) Reserves	32,198	423,086
Net Surplus/(Deficit) after Transfers	(1,925,545)	(1,029,558)

TRINITY HALL
Parent Balance Sheet
As at 30 June 2010

	Note	30 June 10 £	30 June 09 £
FIXED ASSETS			
Tangible Assets	9	108,859,153	111,297,842
Investments	9	108,292,549	93,528,136
		217,151,702	204,825,978
CURRENT ASSETS			
Stock		198,059	121,060
Debtors	10	738,559	728,657
Investments		-	-
Cash	11	1,258,619	1,539,316
		2,195,237	2,389,033
Creditors: Amounts Falling Due Within One Year	12	(965,379)	(1,180,872)
Net Current Assets/(Liabilities) before Pension Liability		1,229,858	1,208,161
Pension Liability	18	(2,420,986)	(1,875,916)
Net Current Assets/(Liabilities) after Pension Liability		(1,191,128)	(667,755)
Total Assets less Current Liabilities		215,960,574	204,158,223
Creditors: Amounts Falling Due After More Than One Year	13	(25,000,000)	(25,000,000)
NET ASSETS		190,960,574	179,158,223

Capital and Reserves		**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Total 30 June 10 £**	**Total 30 June 09 £**
Restricted Funds Held For Collegiate Purposes	14	2,724,286	25,949,582	28,673,868	24,049,986
Restricted Funds Held For Non-collegiate Purposes	14	63,866	-	63,866	54,288
Unrestricted Funds	14	76,883,528	85,339,312	162,222,840	155,053,949
TOTAL		79,671,680	111,288,894	190,960,574	179,158,223

Approved by the Governing Body on 30th November 2010 and signed on their behalf by:

P ffolkes Davis
Bursar

TRINITY HALL
Consolidated Balance Sheet
As at 30 June 2010

	Note	30 June 10 £	30 June 09 £
FIXED ASSETS			
Tangible Assets	9	108,859,153	111,297,842
Investments	9	108,282,121	93,517,706
		217,141,274	204,815,548
CURRENT ASSETS			
Stock		198,060	121,060
Debtors	10	647,347	689,510
Investments		-	-
Cash	11	1,428,572	1,619,483
		2,273,979	2,430,053
Creditors: Amounts Falling Due Within One Year	12	(1,033,693)	(1,211,462)
Net Current Assets/(Liabilities) before Pension Liability		1,240,286	1,218,591
Pension Liability	18	(2,420,986)	(1,875,916)
Net Current Assets/(Liabilities) after Pension Liability		(1,180,700)	(657,325)
Total Assets less Current Liabilities		215,960,574	204,158,223
Creditors: Amounts Falling Due After More Than One Year	13	(25,000,000)	(25,000,000)
NET ASSETS		190,960,574	179,158,223

Capital and Reserves		**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Total 30 June 10 £**	**Total 30 June 09 £**
Restricted Funds Held For Collegiate Purposes	14	2,724,286	25,949,582	28,673,868	24,049,986
Restricted Funds Held For Non-collegiate Purposes	14	63,866	-	63,866	54,288
Unrestricted Funds	14	76,883,528	85,339,312	162,222,840	155,053,949
TOTAL		79,671,680	111,288,894	190,960,574	179,158,223

Approved by the Governing Body on 30th November 2010 and signed on their behalf by:

P ffolkes Davis
Bursar

TRINITY HALL
Consolidated & Parent Statement of Total Recognised Gains and Losses
For the Year Ended 30 June 2010

	Restricted Funds		Unrestricted Funds		
	Collegiate Purposes £	Non-Collegiate Purposes £	Designated Funds £	Undesignated Funds £	Total 30 June 10 £
Balance as at 1 July 2009	24,049,980	54,288	19,460,210	135,593,745	179,158,223
Appreciation of Investment Assets	4,441,799	10,025	3,327,006	7,299,318	15,078,148
Capital growth treated as income	(542,883)	(1,225)	(406,643)	(536,294)	(1,487,045)
Retained Surplus/(Deficit) for the Year	(10,400)	-	112,551	(2,027,696)	(1,925,545)
Benefactions and Donations	757,948	-	-	-	757,948
Transfer of restricted fund surplus from reserves	(32,976)	778	-	-	(32,198)
Other Transfers	10,400	-	(5,200)	(5,200)	-
Actual return less expected return on pension scheme assets	-	-	-	334,365	334,365
Experience gains and losses arising on the scheme liabilities	-	-	-	171,434	171,434
Changes in assumptions underlying the present value of the scheme liabilities	-	-	-	(1,094,756)	(1,094,756)
Total Recognised Gains/(Losses) for the Year	4,623,888	9,578	3,027,714	4,141,171	11,802,351
Balance as at 30 June 2010	28,673,868	63,866	22,487,924	139,734,916	190,960,574

TRINITY HALL
Consolidated Cash Flow Statement
For the Year Ended 30 June 2010

				Year Ended 30 June 10		Year Ended 30 June 09	
			£	£	£	£	£
A.	**Operating activities**	Note					
	Operating Surplus Before Tax			(1,903,743)		(1,402,644)	
	Depreciation	9		1,981,336		1,974,900	
	Profit on sale of investments	4		(10,600)		(80,000)	
	Less Endowment Income			(3,889,517)		(4,309,204)	
	Movement in pension deficit			(43,887)		132,888	
	(Increase)/Decrease in Stocks			(77,000)		(21,641)	
	(Increase)/Decrease in Debtors			42,163		693,208	
	Increase/(Decrease) in Creditors			(177,769)		(696,930)	
	Net Cash (Outflow)/Inflow from Operating Activities				(4,079,017)		(3,709,423)
B.	**Returns on investments and servicing of finance**						
	Investment Income			2,402,474		3,052,223	
	Net Cash Inflow from Returns on Investments and Servicing of Finance				2,402,474		3,052,223
C.	**Contribution to colleges fund**	7			(54,000)		(50,000)
D.	**Capital transactions**						
	Drawdown of cash held for reinvestment	9	20,822,402			4,135,974	
	Donations and Benefactions		757,948			1,123,904	
	Sales of Tangible Fixed Assets		10,600			80,000	
	Total Capital Receipts			21,590,950		5,339,878	
	Purchase of Tangible Fixed Assets	9	(62,539)			(809,478)	
	Sale/(Purchase) of Investment Assets	9	(19,988,779)			(4,217,703)	
	Total Capital Payments			(20,051,318)		(5,027,181)	
	Net Cash Outflow from Capital Transactions				1,539,632		312,697
	Net cash (outflow)/inflow before financing				(190,911)		(394,503)
E.	**(Decrease)/Increase in cash**				(190,911)		(394,503)

Reconciliation of net cash flow to movement in net liquid assets				
Decrease in cash in the period	E		(190,911)	(394,503)
Net funds brought forward 1 July 2009			1,619,483	2,013,986
Net funds carried forward 30 June 2010			1,428,572	1,619,483

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 and applicable Accounting Standards.

In addition, the accounts accord with the Statement of Recommended 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 (RCCA). The provisions of the SORP require Endowments, Deferred Grants and Revaluation Reserves to be disclosed on the face of the balance sheet whereas 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.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertakings for the year ended 30th June 2010. The results of the subsidiary undertakings acquired or disposed of during the period are included in the Consolidated Income and Expenditure Account from the date of the acquisition or up to the date of disposal. The activities of student societies have not been consolidated.

Recognition of income

All income from short-term deposits and endowments and unrestricted donations and benefactions of an income nature are credited to the Income and Expenditure Account in the period which they are earned. Donations and benefactions accepted on condition that only the income may be spent or are of a non income nature are credited to the balance sheet as permanent capital funds. The income from a permanent capital fund that is not expended in the year in which it is receivable and restricted donations and benefactions are at the year-end, transferred from the Income and Expenditure Account to a restricted or unrestricted expendable capital fund, as appropriate. When there is subsequent expenditure of accumulated income from a restricted capital fund, income is credited back to the Income and Expenditure Account from the restricted expendable capital fund to match the expenditure.

Income taken to the Income and Expenditure Account under the recognition of income on a total return basis is 4% (2009: 5%) of an average of the market value of the investment assets.

Pension Schemes

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 Ltd. Because of the 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.

Tangible fixed assets

a. Land and buildings

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

Subsequent additions and improvements to the College's buildings are accounted for at cost.

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 normally 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 not capitalised as part of those assets.

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

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

Tangible fixed assets (Continued)

b. 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 or capitalised and depreciated over the useful economic life of the asset concerned. The College also sets aside sums on a regular basis to meet major maintenance costs which occur on an irregular basis. These are disclosed as designated funds.

c. Furniture, fittings, equipment and motor vehicles

Furniture, fittings and equipment (excluding motor vehicles) costing less than £10,000 is written off in the year of acquisition. The organ which is included within plant and equipment is depreciated at 2% per annum, this is the expected useful life. All other assets are capitalised and depreciated on a straight line basis over their expected useful life as follows:

Furniture and fittings	10% per annum
Motor vehicles	20% per annum
Plant and equipment	5%-20% per annum
Computer equipment	33% 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 normally 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. Books

Library books are valued at insured value at 1995. All additions are written off in the year of acquisition.

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

Silver, works of art and other assets not related to education are included at cost. Where original cost cannot be ascertained, insurance replacement values at 1992 for silver and 2007 for works of art have been used. Silver, works of art and other assets not related to education are not depreciated.

Where silver, works of art and other assets not related to education are acquired with the aid of specific bequests or donations they are capitalised as above. The related benefactors are credited to expendable capital or permanent capital depending on the nature of the bequest or donation.

f. 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 excess 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 period of the leases.

Investments

Investments are included in the Balance Sheet at market value. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Realised and unrealised capital gains and losses are recognised as increases/decreases of market value of investment assets within the Statement of Total Recognised Gains and Losses.

Stocks

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

Provisions

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

Foreign currencies

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

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 1998 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.

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.

Policy on Reserves

a. Restricted Funds
These result from donations or benefactions subject to a legally binding restriction, such as a trust deed or will, on their use.

b. Unrestricted Funds
These result from donations or benefactions not subject to legally binding restrictions and from the accumulation of surplus income.

The Governing Body may decide to use part of the Unrestricted Funds for a particular purpose, in which case these are classified as 'Designated'.

Restricted and Unrestricted Funds are further analysed according to whether they comprise Permanent Capital or Income/Expendable Capital according to the following definitions:

Permanent Capital Funds are those that the Governing Body has no power to convert to income and apply as such.

Income/Expendable Capital Funds are those that the Governing Body has the power to convert to income and apply as such.

1. ACADEMIC FEES AND CHARGES

	30 Jun 10	30 Jun 09
	£	£
COLLEGE FEES		
Fee Income paid on behalf of undergraduates at the Publicly-funded Undergraduate rate (per capita fee £3,744)	1,286,240	1,253,173
Privately-funded undergraduate fee income (per capita fee £4,725)	176,598	150,977
Fee income received at the Graduate fee rate (per capita fee £2,184)	365,148	379,455
Other income	181,573	121,330
Total	2,009,559	1,904,935

2. RESIDENCES, CATERING AND CONFERENCES INCOME

		30 Jun 10	30 Jun 09
		£	£
Accommodation	College Members	1,739,697	1,796,100
	Conferences	219,285	163,314
Catering	College Members	850,158	784,700
	Conferences	390,696	202,489
Total		3,199,836	2,946,603

3. ENDOWMENT INCOME

	Income from Restricted Funds		Income	Total	Total
	For Collegiate Purposes *	For Non-Collegiate Purposes	From Unrestricted Funds	30 Jun 10	30 Jun 09
	£	£	£	£	£
Income from:					
Non-investment fund	-	-	-	-	8,063
Investment fund total return	734,063	1,692	1,842,142	2,577,897	3,066,291
Long dated borrowing fund total return	-	-	1,311,608	1,311,608	1,234,758
	734,063	1,692	3,153,750	3,889,505	4,309,112

* As defined by University Statute G,II.

Summary of Total Return

	Long dated borrowing fund	Remaining funds	30 Jun 10	30 Jun 09
	£	£	£	£
Endowment income from:				
Assets included in the Investment fund	-	1,626,172	1,626,172	1,809,306
Assets included in the Long Dated borrowing fund	776,288	-	776,288	1,234,758
Assets not included in the Investment fund	-	-	-	8,063
Gains/(losses) on Endowment Assets:				
Land and buildings	953,470	1,356,944	2,310,414	(65,595)
Quoted and other securities and cash	2,055,195	10,712,539	12,767,734	(10,357,438)
Total return for the year	3,784,953	13,695,655	17,480,608	(7,370,906)
Total return recognised in the Income and Expenditure Account (see above	(1,311,608)	(2,577,897)	(3,889,505)	(4,309,112)
Unapplied Total Return for the year included within the Statement of Total Recognised Gains and Losses	2,473,345	11,117,758	13,591,103	(11,680,018)

Investment Management Costs

	30 Jun 10	30 Jun 09
	£	£
Investment managers costs	379,351	309,252

4. OTHER INCOME

	30 Jun 10	30 Jun 09
	£	£
Profit on sale of property	10,600	80,000
Donations received	419,098	722,586
Other income	67,988	111,919
	497,686	914,505

5. EDUCATION EXPENDITURE

	30 Jun 10 £	30 Jun 09 £
Teaching	2,164,514	2,124,120
Tutorial	587,637	605,936
Admissions	289,866	293,801
Research	476,687	401,277
Scholarships and Awards	552,814	442,728
Other Educational Facilities	607,080	680,640
Total	4,678,598	4,548,502

6. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

		30 Jun 10 £	30 Jun 09 £
Accommodation	College Members	2,435,994	2,837,970
	Conferences (incl. marketing costs)	307,052	258,048
Catering	College Members	1,190,426	1,239,884
	Conferences	547,068	319,948
Total		4,480,540	4,655,850

Expenditure has been allocated to the expenditure headings in direct proportion to the income in Note 3

7. CONTRIBUTION UNDER STATUTE G,II

The contribution due from the College to the University for 2010 is a provisional figure assessed by the University in accordance with the new provisions of Statute G,II of the University of Cambridge.

8a. ANALYSIS OF 2009/10 EXPENDITURE BY ACTIVITY

	Note	Staff Costs (Note 17) £	Depreciation (Note 9) £	Other Operating Expenses £	Total £
Education	5	2,318,413	510,584	1,849,601	4,678,598
Residences, Catering and Conferences	6	2,057,897	1,470,752	951,891	4,480,540
Other	8c	428,252	-	1,912,939	2,341,191
		4,804,562	1,981,336	4,714,431	11,500,329

8b. ANALYSIS OF 2008/09 EXPENDITURE BY ACTIVITY

	Note	Staff Costs (Note 17) £	Depreciation (Note 9) £	Other Operating Expenses £	Total £
Education	5	2,177,079	536,766	1,834,657	4,548,502
Residences, Catering and Conferences	6	2,092,607	1,438,134	1,125,109	4,655,850
Other	8c	400,904	-	1,872,543	2,273,447
		4,670,590	1,974,900	4,832,309	11,477,799

8c. OTHER EXPENDITURE

	Long dated borrowing fund £	Remaining funds £	30 Jun 10 £	30 Jun 09 £
Investment and property management				
Third party costs	97,179	282,172	379,351	309,252
Internal costs	-	147,983	147,983	141,987
	97,179	430,155	527,334	451,239
Long dated borrowing interest and set-up charges	1,214,429	-	1,214,429	1,219,355
Fundraising	-	467,256	467,256	462,838
Alumni	-	56,701	56,701	65,250
Endowment	-	75,471	75,471	74,765
	1,311,608	1,029,583	2,341,191	2,273,447

9. FIXED ASSETS (Parent & Consolidated)

Tangible Assets	Land & Buildings £	Furniture Fixtures & Fittings £	Works of Art Antique Furniture & College Silver £	Library £	IT & Computers £	Plant & Machinery £	Motor Vehicles £	Total £
COST/VALUATION								
At 1 July 2009	111,018,602	519,783	3,879,192	6,687,094	145,240	669,414	42,757	122,962,082
Prior year adjustment (Note 19)	-	-	-	-	-	-	-	-
At 1 July 2009 as restated	111,018,602	519,783	3,879,192	6,687,094	145,240	669,414	42,757	122,962,082
Additions	14,240	14,191	15,599	-	7,334	11,175	-	62,539
Disposals at Cost/Valuation	-	-	-	-	-	-	-	-
Transfer to Investment assets	(559,000)	-	-	-	-	-	-	(559,000)
Revaluation During the Year	-	-	-	-	-	-	-	-
Cost/Valuation as at 30 June 2010	110,473,842	533,974	3,894,791	6,687,094	152,574	680,589	42,757	122,465,621
DEPRECIATION								
At 1 July 2009	11,281,053	130,604	-	-	68,372	150,872	33,339	11,664,240
Prior year adjustment		-	-	-	-	-	-	-
At 1 July 2009 as restated	11,281,053	130,604	-	-	68,372	150,872	33,339	11,664,240
Provided for the year	1,848,725	53,042	-	-	36,619	40,123	2,827	1,981,336
Eliminated on Disposal	-	-	-	-	-	-	-	-
Transfer to Investment assets	(39,108)	-	-	-	-	-	-	(39,108)
Depreciation at 30 June 2010	13,090,670	183,646	-	-	104,991	190,995	36,166	13,606,468
Net Book value								
At 30 June 2010	97,383,172	350,328	3,894,791	6,687,094	47,583	489,594	6,591	108,859,153
At 30 June 2009 as restated	99,737,549	389,179	3,879,192	6,687,094	76,868	518,542	9,418	111,297,842

The Insured Value of Freehold Land and Buildings as at 30 June 2010 was £152,030,516.

9. FIXED ASSETS (continued)	**30 Jun 10 Parent**	**30 Jun 10 Consolidated**	**30 Jun 09 Parent**	**30 Jun 09 Consolidated**
Investment Assets	**£**	**£**	**£**	**£**
Balance as at 1 July 2009	93,528,132	93,517,704	103,869,440	103,859,010
Additions	24,878,704	24,878,704	9,658,166	9,658,166
Disposals	(4,889,925)	(4,889,925)	(1,440,463)	(1,440,463)
Transfer from Tangible Assets	519,892	519,892	-	-
Transfer to Current Assets	-	-	(4,000,000)	(4,000,000)
Appreciation/(Depreciation) on Disposals/Revaluation	15,078,148	15,078,148	(10,423,033)	(10,423,033)
Increase/(Decrease) in Cash Balances	(20,822,402)	(20,822,402)	(4,135,974)	(4,135,974)
Balance as at 30 June 2010	108,292,549	108,282,121	93,528,136	93,517,706
Represented by:				
Freehold Land and Buildings	15,409,359	15,409,359	12,264,929	12,264,929
Quoted Securities - Equities	49,530,746	49,530,746	35,313,611	35,313,611
Quoted Securities - Indirect Property	1,065,391	1,065,391	1,131,578	1,131,578
Alternative Investments	24,501,351	24,501,351	16,464,992	16,464,992
Unquoted Securities - Equities	541,473	541,473	150,122	150,122
Investment in Subsidiary Undertakings	10,428	-	10,430	-
Cash	17,233,801	17,233,801	28,192,474	28,192,474
	108,292,549	108,282,121	93,528,136	93,517,706

Included in the above figures is the following Long Dated Borrowing fund investments:

Balance as at 1 July 2009	25,417,558	25,417,558	25,118,261	25,118,261
Additions	21,400,000	21,400,000	3,646,260	3,646,260
Appreciation/(Depreciation) on Disposals/Revaluation	3,008,665	3,008,665	-	-
Increase/(Decrease) in Cash Balances	(21,838,377)	(21,838,377)	(3,346,963)	(3,346,963)
Balance as at 30 June 2010	27,987,846	27,987,846	25,417,558	25,417,558
Represented by:				
Freehold Land & Buildings	4,600,000	4,600,000	3,646,260	3,646,260
Quoted Securities - Equities	5,928,729	5,928,729	-	-
Alternative Investments	7,662,468	7,662,468	-	-
Cash Held For Reinvestment	-	-	21,771,298	21,771,298
Cash	9,796,649	9,796,649	-	-
	27,987,846	27,987,846	25,417,558	25,417,558

The College's investment in subsidiary undertakings represents 100% of the share capital of Aula Limited, Trinity Hall Residences (1) Limited and Aula Hospitality Limited all of which are incorporated in England.
The College's subsidiary company in Hong Kong, Trinity Hall (Hong Kong) Limited, a company limited by guarantee has not been consolidated. The company is used as a vehicle for donations from Hong Kong residents. There are severe restrictions upon the way in which donations can be spent and therefore donations are only accounted for upon remittance to the UK.

10. DEBTORS	**30 Jun 10 Parent**	**30 Jun 10 Consolidated**	**30 Jun 09 Parent**	**30 Jun 09 Consolidated**
	£	**£**	**£**	**£**
Students' Payable	48,236	48,236	35,708	35,708
Fellows' Payable	2,954	2,954	4,498	4,498
JCR	-	-	-	-
Loans	9,806	9,806	18,818	18,818
Rents Payable	19,209	19,209	8,685	8,685
Amounts due from Subsidiary Undertaking	155,654	-	72,745	-
Tax Payable	-	-	-	-
Other Debtors	502,700	567,142	588,203	621,801
	738,559	647,347	728,657	689,510

11. CASH	30 Jun 10 Parent £	30 Jun 10 Consolidated £	30 Jun 09 Parent £	30 Jun 09 Consolidated £
Bank Deposits	1,209,260	1,209,260	1,528,696	1,528,696
Current Accounts	46,002	215,955	9,051	89,218
Cash in Hand	3,357	3,357	1,569	1,569
	1,258,619	1,428,572	1,539,316	1,619,483

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Students' Prepayments	108,442	108,442	125,874	125,874
Suppliers	150,462	150,462	201,027	201,027
Other	627,475	695,789	803,971	834,561
University Contribution	79,000	79,000	50,000	50,000
	965,379	1,033,693	1,180,872	1,211,462

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank loan	25,000,000	25,000,000	25,000,000	25,000,000
	25,000,000	25,000,000	25,000,000	25,000,000

The bank loan is repayable in 2047 and bears interest at a blended rate of 4.86%

14. CAPITAL AND RESERVES	Income/ Expendable Capital Funds £	Permanent Capital Funds £	Total 30 Jun 10 £	Total 30 Jun 09 £
Restricted Funds:				
Funds for collegiate purposes *	2,724,286	25,949,582	28,673,868	24,049,986
Funds for non-collegiate purposes	63,866	-	63,866	54,288
Unrestricted Funds:				
Designated Funds:	4,606,781	17,881,143	22,487,924	19,460,204
Undesignated Funds:				
Undesignated Permanent Funds	-	67,458,169	67,458,169	68,192,094
Undesignated Expendable Funds	72,276,747	-	72,276,747	67,401,651
	72,276,747	67,458,169	139,734,916	135,593,745
	79,671,680	111,288,894	190,960,574	179,158,223

* As defined by University Statute G,II

14. CAPITAL AND RESERVES (CONTINUED)

Analysis of Restricted and Designated Funds	Restricted Funds £	Unrestricted Designated Funds £	Unrestricted Undesignated Funds £	Total 30 Jun 10 £	Total 30 Jun 09 £
Fellowship Funds	9,641,629	8,434,696	-	18,076,325	15,466,965
Scholarship Funds	5,842,092	4,569,884	-	10,411,976	8,982,309
Prizes and Awards Funds	2,560,297	-	-	2,560,297	1,628,454
Hardship Funds	1,843,035	438,160	-	2,281,195	1,916,489
Travel Grant Funds	1,254,533	-	-	1,254,533	1,062,301
Other Funds	7,596,148	9,045,184	139,734,916	156,376,248	150,101,705
	28,737,734	22,487,924	139,734,916	190,960,574	179,158,223

Memorandum of Unapplied Total Return	Long dated borrowing fund £	Remaining funds £	30 Jun 10 £	30 Jun 09 £
Unapplied Total Return at the beginning of the year	-	39,842,265	39,842,265	51,522,283
Unapplied Total Return for the year	2,473,345	11,117,758	13,591,103	(11,680,018)
Unapplied Total Return at the end of the year	2,473,345	50,960,023	53,433,368	39,842,265

The unapplied total return figures have now been updated to reflect the total unapplied total return from 1993 for non property investments and 2000 for property investments.

Reconciliation of Movement in Capital and Reserves:

	Restricted Funds				**Unrestricted Funds**				
	Funds for collegiate purposes		*Funds for non-collegiate purposes*		*Designated Funds*		*Undesignated Funds*		
	Income/ Expendable Capital Funds £	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Total 30 June 10 £**
Balance as at 1 July 2009	2,423,681	21,626,305	54,288	-	4,185,146	15,386,655	67,290,054	68,192,094	179,158,223
Reanalysis of funds	(50,995)	50,989	-	-	(111,591)	-	111,597	-	-
Balance as at 1 July 2009 as restated	2,372,686	21,677,294	54,288	-	4,073,555	15,386,655	67,401,651	68,192,094	179,158,223
Surplus/(deficit)	(43,376)	-	778	-	112,551	-	(860,068)	(1,167,628)	(1,957,743)
Appreciation of investment assets	438,125	4,003,674	10,025	-	485,182	2,841,824	6,805,226	494,092	15,078,148
Capital growth treated as income	(53,543)	(489,340)	(1,225)	-	(59,307)	(347,336)	(475,905)	(60,389)	(1,487,045)
Benefactions and donations	(6)	757,954	-	-	-	-	-	-	757,948
Transfer between funds	10,400	-	-	-	(5,200)	-	(5,200)	-	-
Actuarial loss recognised on pensions	-	-	-	-	-	-	(588,957)	-	(588,957)
Balance as at 30 June 2010	2,724,286	25,949,582	63,866	-	4,606,781	17,881,143	72,276,747	67,458,169	190,960,574

Capital is invested in the following categories of assets

	Restricted Funds				**Unrestricted Funds**				
	Funds for collegiate purposes		*Funds for non-collegiate purposes*		Designated Funds		Undesignated Funds		
	Income/ Expendable Capital Funds £	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Income/ Expendable Capital Funds £**	**Permanent Capital Funds £**	**Total 30 June 10 £**
Tangible Fixed Assets	-	-	-	-	-	-	57,765,166	51,093,987	108,859,153
Investment Assets	2,724,286	25,949,582	63,866	-	4,606,781	17,881,143	40,692,281	16,364,182	108,282,121
Net Current Assets	-	-	-	-	-	-	1,240,286	-	1,240,286
Pension Liability	-	-	-	-	-	-	(2,420,986)	-	(2,420,986)
Creditors: Amounts Falling Due After More Than One Year	-	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Balance as at 30 June 2010	2,724,286	25,949,582	63,866	-	4,606,781	17,881,143	72,276,747	67,458,169	190,960,574

15. REVALUATION RESERVE

Unrestricted undesignated funds include revaluation reserves in respect of tangible fixed assets and investments.

	Note	30 Jun 10 £	30 Jun 10 £	30 Jun 09 £
Balance as at 1 July 2009			26,610,688	37,273,721
Revaluations during the year on:				
Tangible Fixed Assets	9	-		
Current Asset Investments				
Fixed Asset Investments	9	15,078,148		
			15,078,148	(10,423,033)
Transfer of accumulated revaluation on disposals			-	(240,000)
Balance as at 30 June 2010			41,688,836	26,610,688

16. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	Operating leases on Land and Buildings 30 Jun 10 £	30 Jun 09 £
Expiring:		
Within one year	-	-
Between one and five years	6,153	6,180
	6,153	6,180

17. STAFF

	Supervision Payments 30 Jun 10 £	College Fellows 30 Jun 10 £	Other Academics 30 Jun 10 £	Non - Academics 30 Jun 10 £	Total 30 Jun 10 £	Total 30 Jun 09 £
Staff Costs*						
Emoluments	266,752	1,105,538	279,118	2,430,867	4,082,275	3,875,764
Social Security Costs	-	84,795	18,723	158,666	262,184	254,199
Other Pension Costs	-	146,366	18,762	294,975	460,103	540,627
	266,752	1,336,699	316,603	2,884,508	4,804,562	4,670,590
Average Staff Numbers						
Academic		50	10	-	60	
Non-Academics		9	-	106	115	
		59	10	106	175	

* No officer or employee of the college,including the Head of House,received emoluments of over £100,000

18. PENSION SCHEMES

The College participates in two defined benefit pension schemes, the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS). The total pension cost for the period was £460,102 (2009: £568,678)

University Superannuation Scheme

The College participates in the University 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. USS has over 135,000 active members and the College has 52 active members participating in the scheme. 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 latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried using the projected unit method. 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 salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% RPI per annum)

18. PENSION SCHEMES (Continued)

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

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits 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 Pensions Act 2004 it was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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

The college's 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, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding has improved from 74% (as at March 2009) to 91%. This estimate is based on the funding level at 31st March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions) . On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the College’s future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. USS is a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

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

The total pension cost for the College was £168,611 (2009: £128,699).The contribution rate payable by the college was 16% of pensionable salaries.

Cambridge Colleges Federated Pension Scheme

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

The College elected to change benefits for service from 1 April 2004 for all members by:

- capping service at 40 years (previously uncapped); and
- paying unreduced pensions from age 65 (previously 60).

The contribution made by the College in respect of the 12 month period ended 30 June 2010 was £467,402, excluding PHI premiums. The agreed contributions to be paid by the College for the forthcoming years are 15.33% of contribution to 31 December 2010 then 13.33% of contribution pay to 31 December 2011 then 11.33% of contribution pay thereafter. On top of this the College will pay £153,551 pa for 10 years to clear the debt on past service.

18. PENSION SCHEMES (Continued)

The major assumptions used by the actuary were:	30 June 2010	30 June 2009
Discount rate	5.3%	6.2%
Expected long-term rate of return on Scheme assets	6.2%	6.1%
Salary inflation assumption	4.4%	4.5%
Inflation assumption	3.4%	3.5%
Pension increases (inflation linked)	3.4%	3.5%

The underlying mortality assumption is based upon the standard table known as PA92 on a year of birth usage with medium cohort future improvement factors with the base table adjusted by a 20% uplift to reflect higher Scheme mortality rates than the standard tables. (2009: PA92 on a year of birth usage with medium cohort improvement factors).

Employee Benefit Obligations

The amounts recognised in the balance sheet are as follows

	30 June 2010	30 June 2009
	£	£
Present value of Scheme liabilities	(8,015,582)	(6,452,428)
Market value of Scheme assets	5,594,596	4,576,512
Surplus/(Deficit) in Scheme as at 30 June	(2,420,986)	(1,875,916)
Related deferred tax asset	-	-
Net pension asset/ (liability) as shown in College Balance Sheet at 30 June	(2,420,986)	(1,875,916)

The main reasons for worsening in the financial position are:

- Significant changes in the FRS17 assumptions, particularly a lowering of the discount rate slightly offset by a lowering of inflation expectations

Only partially offset by:

- Better than expected Investment returns
- Contributions paid to reduce the Scheme's deficit and
- Scheme experience being better than expected mainly as a result of lower actual revaluation and pension increase rates based on low actual inflation rates in 2009

The amounts recognised in profit or loss are as follows:	30 June 2010	30 June 2009
	£	£
Current service cost	303,061	343,176
Interest Cost	405,068	415,483
Expected Return on Assets	(284,614)	(318,580)
Total	423,515	440,079
Actual Return on Assets	618,979	(366,292)

Changes in the present value of the Scheme liablities are as follows:

	30 June 2010	30 June 2009
	£	£
Present value of Scheme liabilities at beginning of period	6,452,428	6,113,127
Service cost (including employee's contributions)	434,837	440,907
Interest cost	405,068	415,483
Actuarial losses/(gains)	923,322	(313,569)
Benefits paid	(200,073)	(203,520)
Present value of Scheme liabilities at end of period	8,015,582	6,452,428

Changes in the fair value of the Scheme assets are as follows:	30 June 2010	30 June 2009
	£	£
Market value of Scheme assets at beginning of period	4,576,512	4,741,402
Expected Return	284,614	318,580
Actuarial gains and (losses)	334,365	(684,872)
Contributions by College	467,402	307,191
Employee contributions	131,776	97,731
Benefits paid	(200,073)	(203,520)
Market value of Scheme assets at end of period	5,594,596	4,576,512

18. PENSION SCHEMES (Continued)

The major categories of Scheme assets as a percentage of total Scheme assets and expected long-term rate of return were:

	Long-term rate of return expected at 30 June 2010	**Percentage of total Scheme Assets 30 June 2010**	**Long-term rate of return expected at 30 June 2009**	**Percentage of total Scheme Assets 30 June 2009**
Equities and Hedge Funds	7.1%	59%	7.1%	48%
Bonds & Cash	6.1%	32%	6.1%	43%
Property	4.7%	9%	5.0%	9%
Total		100%		100%

Movement in surpus/(deficit) during the Scheme year ending 30 June 2010 (with comparative figures for the year ending 30 June 2009) are as follows:

	2010	**2009**
	£	**£**
Surplus/(deficit) in Scheme at beginning of the Scheme year	(1,875,916)	(1,371,725)
Service Cost (Employer only)	(303,061)	(343,176)
Contributions paid by the College	467,402	307,191
Finance Cost	(120,454)	(96,903)
Actuarial gain/(loss)	(588,957)	(371,303)
Surplus/(deficit) in Scheme at the end of the year	**(2,420,986)**	**(1,875,916)**

<u>Amounts for the current and previous 4 periods are as follows:</u>

	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2007**	**30 June 2006**
Present value of Scheme liabilities	(8,015,582)	(6,452,428)	(6,113,127)	(5,157,998)	(4,763,900)
Market value of Scheme assets	5,594,596	4,576,512	4,741,402	4,678,591	4,109,025
Surplus/(deficit) in the Scheme	**(2,420,986)**	**(1,875,916)**	**(1,371,725)**	**(479,407)**	**(654,875)**
Actual return less expected return on Scheme assets	334,365	(684,872)	(560,888)	129,045	239,111
Experience gain/(loss) arising on Scheme liabilities	171,434	(75,472)	(141,083)	(197,047)	55,310
Change in assumptions underlying present value of Scheme liabilities	(1,094,756)	389,041	(227,850)	156,790	(121,366)

19. 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.