

Norham Gardens
OXFORD
OX2 6QA
Tel: +44 (0) 1865 274300
Fax: +44 (0) 1865 284209



LMH

Lady Margaret Hall

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2008

CONTENTS:

1. Report of the Governing Body
2. Report of the Independent Auditors
3. Statement of Principal Accounting Policies
4. Income & Expenditure Account
5. Balance Sheet
6. Cashflow
7. Notes to the Accounts

LADY MARGARET HALL

Report of the Governing Body

The Governing Body of the College of the Lady Margaret in the University of Oxford (commonly known as Lady Margaret Hall) ("the College") presents the annual report and financial statements for the year ended 31 July 2008.

Status

The College is an eleemosynary chartered charitable corporation aggregate. It was founded as Lady Margaret Hall Oxford in 1878 by a group led by the Reverend Edward Talbot. It was incorporated in 1913 under the Companies Acts and later, in response to a petition dated 17 March 1926 from Cyril Bailey and Lynda Grier, under a Royal Charter of His Majesty King George V. The corporation comprises the Principal and Fellows, who are the charity trustees. The College is an exempt charity under section 3(5)(a) and schedule 2 item (b) of the Charities Act 1993.

Objects

The College exists to provide and promote undergraduate and graduate education within the University of Oxford, and also to provide and promote university academic research.

Within these Objects, the College also has various permanently endowed trust funds held for special purposes in connection with the development of College facilities and for scholarships, bursaries, prizes and other educational purposes.

A full account of activities in pursuit of these objects is published in the College's Annual Report for each calendar year.

Governance

The Governing Body of the College comprises the Principal and Fellows. This body is constituted and regulated in accordance with the College Statutes, the terms of which are enforceable ultimately by the Visitor, The Chancellor of the University. The College Statutes are as made from time to time by order of Her Majesty in Council in accordance with the Royal Charter of 17 March 1926, and the Universities of Oxford and Cambridge Act 1923.

The Governing Body holds to itself the responsibilities for the ongoing strategic direction of the College, for its administration and for the management of its finances and assets. It meets regularly under the chairmanship of the Principal and is advised by a range of committees which includes the Finance Committee. The members of the Governing Body are:

Dr Frances Lannon (Principal)
Dr Robert Adlington
Prof David Andrews
Prof Nigel Arden (from 1 October 2008)
Dr Helen Barr
Dr Joanne Begbie
Dr Michael Broers
Dr Dana Brown
Dr Garry Brown
Dr Ann Childs
Prof John Day
Dr Xon de Ros
Rev Dr Allan Doig
Prof Sionaidh Douglas-Scott (from 1 January 2008)
Dr Nicholas Fawcett (from 1 October 2008)
Prof Antony Galione
Dr Christine Gerrard
Prof Vincent Gillespie
Dr José Goicoechea
Prof Robert Griffiths
Dr Nicholas Hankins
Prof Li He (from 15 January 2008)
Dr Clive Holmes
Dr Todd Huffman
Prof Richard Jenkyns
Dr Marie-Chantal Killeen
Dr Jochen Koenigsmann (from 1 October 2007)
Prof David Macdonald
Prof Ewan McKendrick
Dr Mary MacRobert
Dr Judith Mank (from 1 October 2008)
Dr Gunther Martin (from 1 September 2007)
Dr Michael Monoyios

LADY MARGARET HALL

Report of the Governing Body (continued)

Prof Anant Parekh
Miss Gillian Peele
Dr Penny Probert Smith
Prof Christopher Redman
Dr Christopher Shields
Dr Nicholas Shrimpton
Mr Richard Sommers (from 1 January 2008)
Dr Fiona Spensley
Prof Adrian Thomas
Prof Alain Viala
Mr Peter Watson
Dr Susan Wollenberg
Dr Christine Wong (from 1 January 2008)

Additionally, the following were members of the Governing Body for part or all of the year:

Dr Gavin Cameron (to 9 September 2007)
Mrs Jane Day (to 30 September 2007)
Miss Ann Kennedy (to 30 September 2007)
Mr Mark Robson (to 31 December 2007)
Dr Simon Price (to 18 July 2008)

The College's principal bankers are Barclays Bank plc and its principal legal advisers are Mills and Reeve LLP.

Responsibilities of 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. The Governing Body is also responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

In preparing the financial statements, 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;
- “ it is satisfied that it has adequate resources to continue in operation for the foreseeable future: accordingly the financial statements are 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;
- “ secure the economical, efficient and effective management of the College's resources and expenditure.

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

Under the Charities Act 1993 the College is an exempt charity and the members of the Governing Body must ensure that the property and income of the College are applied only in support of purposes which are charitable in law.

Scope of financial statements

The financial statements consolidate the accounts of the College and its wholly-owned subsidiary undertakings, LMH Conference Services Limited, Lady Margaret Hall Properties Limited and Lady Margaret Hall Trading Limited. LMH Conference Services Limited is the vehicle for trading activities of the College, Lady Margaret Hall Properties Limited is the vehicle for managing the letting of rooms in the College's properties and Lady Margaret Hall Trading Limited is the vehicle for managing new capital building projects.

Review of operations and finance

The College's financial experience has been mixed in the year. We have seen a satisfactory surplus on the Income and Expenditure Account and a successful year of fund raising, mostly for the new buildings. However, the value of our endowments has fallen, hit by declining financial markets generally. The impact of all these items has caused the College's total funds to fall by 2.3% to £37,034k.

LADY MARGARET HALL

Report of the Governing Body (continued)

The Income and Expenditure Account shows a surplus of £966k (15.8% of expenditure). Within "Other operating income" are legacies and donations of £679k which the College has applied to reserves designated for the new buildings project. Without these items, there would have been a surplus of £287k which the College considers to be a satisfactory result. The College aims in each year to keep income and expenditure broadly in balance with a target surplus of £150k for capital refurbishment of existing buildings.

Considering the results by comparison to 2007, total income has grown by 3.7% to £7,075k and total expenditure has shown little change. The income growth has arisen from higher academic fees and tuition income, although growth in this category is expected to fall in future years, and from endowment return where we have been able to take more income from specific endowments as the College's expenditure has been aligned more closely to the purposes of these endowments. Income from conference business remains stable, reflecting intensive use of the College's facilities outside term time, primarily for educational purposes. Income from grants and donations benefited from a legacy payment of £750k from Dr Betty Partridge. Expenditure has always been closely controlled and all categories have seen little change in the year.

Works on the first phase of the master plan for development of the College's main site, with new student accommodation of up to 105 study bedrooms, a lecture theatre and dining and common rooms, were started in February 2008 and are due for completion in summer 2009. The budget for the first phase is £9.5m, of which up to £6m may be borrowed from Barclays plc and repaid over 20 years. Fund raising has been successful with around £4.2m pledged and donated to date for the new buildings, including a particularly generous donation of £1,046k from Mr Neil Simpkins.

The College has changed its accounting policy for donations received specifically for tangible fixed assets. Such donations are now treated as deferred capital which appears in the total funds section of the Balance Sheet and shows that £1,720k has been received up to the year end. The deferred capital for the new buildings will be released to income over the same period of forty years as the new buildings are depreciated.

The major part of the additions to tangible fixed assets (£2,474k) represents work in progress on the new buildings and other building projects include the refurbishment of 10 Fyfield Road to create four new flats for Fellows and the completion of the new maintenance workshop.

During the year, new endowments totalling £728k were received, including £250k from the Oxford College Contributions Fund. However, depreciation of endowment investments (£3,399) has resulted from falls in financial markets around the world. This has contributed to the level of endowment funds falling by 11.2% to £26,216k.

Investment policy and performance

The Investment Committee, with the benefit of two external members having particular expertise in fund management, has continued to operate under the policy established in 2004, with a new Statement of Investment Principles being agreed by the Governing Body in February 2005. That Statement was reviewed and minor updating agreed in October 2007.

The Committee's performance is being monitored by Jewson Associates Limited. Over the year, the investments achieved a total return of minus 9.7% as compared to the absolute benchmark of 9.4% and relative benchmark of minus 6%. Over three years these investments achieved an annualised return of 5.2% compared to the absolute benchmark return of 7.9% and the relative benchmark return of 5.0%. The absolute benchmark is 5% over consumer price inflation and the relative benchmark comprises 41% UK quoted equities, 14% overseas quoted equities, 20% bonds, 10% property, 10% alternative investments and 5% cash. The results for the year are disappointing although the Committee believes that equities are undervalued and considers that a long-term approach to investment is appropriate as the College is a charitable trust with no requirement to distribute capital.

During the year, the Committee has decided to transfer that part of the investment portfolio representing investment of the College's reserves into cash as it considered it no longer appropriate to take a long-term view as the reserves might be needed for an emergency or to support the new buildings programme.

Reserves

The balance on reserves at the year end amounts to £9,098k. The Governing Body considers that a free general reserve of between £2.5m and £3.0m (currently £1.3m) should ideally be maintained to allow the College to be managed efficiently and to provide a buffer for uninterrupted services. This equates to approximately six months of expenditure. The balance of reserves varies between years, most notably with the receipt of unrestricted legacies.

LADY MARGARET HALL

Report of the Governing Body (continued)

Risk management

The major risks to which the College is exposed, as identified by the Governing Body, have been reviewed and systems have been established to mitigate these risks. A Strategic Plan for the period 2004 to 2009 was agreed by Governing Body in October 2004 and strong progress has been made in achieving the main targets, which are monitored by the College's Strategy Committee, including two external expert members. A new Strategic Plan is currently in preparation.

Various Committees of Governing Body are specifically charged with monitoring policy developments in respect of teaching provision, academic standards, facilities and provisions, access, financial projections, the development programme, uses of the site, human resources, equality issues, health and safety and security. The extent of insurance cover was reviewed during the year with the assistance of the College's broker and appropriate levels of cover continue to be in place.

Approved by the Governing Body on 3 December 2008

F Lannon - Principal

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF LADY MARGARET HALL

We have audited the financial statements of Lady Margaret Hall for the year ended 31 July 2008 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Governing Body, in accordance with the College's statutes. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it 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 AUDITORS

The Governing Body's responsibilities for preparing the Report of the Governing Body and the financial statements in accordance with the provisions of Statute XV made by the University of Oxford under the Universities of Oxford and Cambridge Act, 1923, and of Regulations for the accounts of the colleges made thereunder, are set out in the Responsibilities of the Governing Body. The Governing Body are also responsible for the preparation of the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 provisions of Statute XV made by the University of Oxford under the Universities of Oxford and Cambridge Act, 1923, and of Regulations for the accounts of the colleges made thereunder. We also report to you if, in our opinion, the Report of the Governing Body is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Governing Body 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, or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

OPINION

In our opinion:

- a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College, and of the College consolidated with its subsidiaries, as at 31 July 2008 and of its consolidated surplus for the year then ended; and
- b) the financial statements have been properly prepared in accordance with the provisions of Statute XV made by the University of Oxford under the Universities of Oxford and Cambridge Act, 1923, and of Regulations for the accounts of the colleges made thereunder, and;
- c) in all material respects, income received from the University of Oxford out of grants from the Higher Education Funding Council for England during the year ended 31 July 2008 has been applied to the purposes for which it was received.

Critchleys, Registered Auditors
Chartered Accountants, Oxford

4 December 2008

Statement of Principal Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of endowment asset investments and in accordance with applicable accounting standards and according to the University of Oxford Statute XV to meet specific requirements imposed by University and College statutes.

These specific requirements reflect the provisions set out in the Statement of Recommended Practice ("SORP"): Accounting for Further and Higher Education issued in July 2003 but have not been updated for the introduction of the amended version of this SORP issued in July 2007. Due to the proposed future movement of the College financial statements to the Charities SORP, which is expected to be implemented in conjunction with the registration of the Oxford Colleges with the Charity Commission, the University of Oxford College Accounts Committee has concluded that there is no benefit in amending the specific requirements this year.

The financial statements consolidate the accounts of the College and of its subsidiary undertakings, LMH Conference Services Limited, Lady Margaret Hall Properties Limited and Lady Margaret Hall Trading Limited.

The accounts of the affiliated student bodies (Lady Margaret Hall Junior and Middle Common Rooms) have not been consolidated because the College does not control these activities.

Recognition of income

Fees and other income for services provided are credited to the income and expenditure account on a receivable basis.

Income receivable from investment funds representing specific endowments and other restricted income is credited to income and expenditure account according to a sustainable spending rule that currently permits the transfer of income of 3.5 per cent of the opening valuation of the endowment funds, up to the extent of the relevant expenditure incurred during the year.

Income receivable from investment funds representing general endowments (the use of which is not legally restricted to a specific purpose or activity) is credited to income and expenditure account according to a sustainable spending rule that currently permits the transfer of income of 3.5 per cent of the opening valuation of the endowment funds.

General donations

Unrestricted donations and benefactions are credited to income and expenditure account on receipt. Annual fundraising expenditure is included in the income and expenditure account.

Pension costs

Contributions to the pension schemes provided for employees of the College charged to the income and expenditure account are the contributions payable to the scheme in respect of the accounting period.

Tangible fixed assets

Tangible fixed assets are stated at cost and are depreciated on a straight line basis over the following periods:

| | |
|---------------------------------------|----------|
| Freehold buildings | 40 years |
| Furniture and Equipment | 5 years |
| Computer Systems, Vehicles & Machines | 3 years |

Freehold land is not depreciated. Freehold buildings at historic cost includes the summing of the figures for capitalised expenditure for the 40 years prior to 1 August 2002 plus subsequent additions. The cost of major renovation projects which increase the service potential of buildings is capitalised and depreciated over applicable periods.

Donations received to finance the acquisition of tangible fixed assets are treated as deferred capital and released to income on a straight line basis over the same period as the related asset is depreciated. This represents a change in accounting policy and, as described in Note 26, comparative figures have been amended accordingly.

The College operates a "de minimis" limit of £5,000 for the capitalisation of expenditure on equipment. Works of art and other valuable artefacts that can be regarded as inalienable are not included in the financial statements.

Statement of Principal Accounting Policies

Investments

Endowment and fixed asset investments are included in the balance sheet at market value. Current asset investments are stated at the lower of cost and net realisable value. Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 obligation.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

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 period-end rates of exchange or, where there are related forward foreign exchange contracts, at contract rates. The resultant exchange differences are included in the income and expenditure account for the period.

Taxation status

As an exempt charity within the meaning of Schedule 2 of the Charities Act 1993, the College is potentially exempt from taxation in respect of income or capital gains received within 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 general exemption from Value Added Tax by virtue of its charitable status, although the provision of education is exempt under group 6, schedule 9, Value Added Tax Act 1994.

Trading activities undertaken by the College are administered through its subsidiary companies, which, as commercial organisations, are liable to Corporation Tax. Profits made by these companies are, however, transferred to the College by Gift Aid.

College Contribution Scheme

The College is liable to be assessed for Contribution under the provisions of Statute XV of the University of Oxford. The Contribution Fund is used to make grants and loans to colleges on the basis of need. Contribution is calculated annually in accordance with regulations made by Council.

Consolidated Income and Expenditure Account
Year ended 31 July 2008

| | Note | July 2008 £000 | July 2007 as restated £000 |
|--|------|----------------------|-------------------------------------|
| INCOME | | | |
| Academic fees and tuition income | 1 | 2,504 | 2,227 |
| Research grants and contracts | 2 | 83 | 81 |
| Other operating income | 3 | 3,348 | 3,582 |
| Endowment return and interest receivable | 4 | 1,140 | 930 |
| Total income | | 7,075 | 6,820 |
| EXPENDITURE | | | |
| Staff costs | 5, 7 | 3,429 | 3,288 |
| Depreciation | 7 | 283 | 257 |
| Other operating expenses | 7 | 2,364 | 2,523 |
| Interest payable | 7 | 37 | 38 |
| Contribution under Statute XV | 7 | (4) | 14 |
| Total expenditure | | 6,109 | 6,120 |
| Surplus for the year on continuing operations before taxation and disposal of fixed assets | | 966 | 700 |
| Surplus on disposal of fixed assets | | 0 | 4 |
| Surplus for the year after taxation | 8, 9 | 966 | 704 |

Consolidated statement of total recognised gains and losses
Year ended 31 July 2008

| | Note | July 2008 £000 | July 2007 as restated £000 |
|--|------|----------------------|-------------------------------------|
| Reserves | | | |
| Surplus for the year | | 966 | 704 |
| (Depreciation) / appreciation of fixed asset investments | | (170) | 174 |
| Endowments | | | |
| Income receivable from endowment asset investments | 17 | 320 | 417 |
| Endowment income transferred to income and expenditure account | 17 | (981) | (814) |
| (Depreciation) / appreciation of endowment asset investments | 17 | (3,399) | 2,652 |
| New endowments received | 17 | 728 | 903 |
| Deferred Capital | | | |
| Specific donations for building projects received | 16 | 1,649 | 71 |
| Total recognised (losses) / gains relating to the year | | (887) | 4,107 |
| Opening fund balances | | 37,921 | 33,814 |
| Closing fund balances | | 37,034 | 37,921 |

Balance Sheets
As at 31 July 2008

| | Note | CONSOLIDATED | | COLLEGE | |
|--|--------|---------------|--------------------------|---------------|--------------------------|
| | | July 2008 | July 2007 as restated | July 2008 | July 2007 as restated |
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | 8,783 | 6,592 | 5,946 | 5,496 |
| Investments | 11 | 0 | 1,873 | 4 | 1,877 |
| | | <u>8,783</u> | <u>8,465</u> | <u>5,950</u> | <u>7,373</u> |
| Endowment asset investments | | | | | |
| Securities and cash deposits | | 26,216 | 29,536 | 26,216 | 29,536 |
| | 12 | <u>26,216</u> | <u>29,536</u> | <u>26,216</u> | <u>29,536</u> |
| Current assets: | | | | | |
| Stocks | | 115 | 106 | 114 | 104 |
| Debtors | 13 | 996 | 717 | 3,242 | 1,777 |
| Short term investments | 25 | 202 | 453 | 202 | 453 |
| Cash at bank and in hand | | <u>2,679</u> | <u>172</u> | <u>2,647</u> | <u>115</u> |
| | | 3,992 | 1,448 | 6,205 | 2,449 |
| Creditors: | | | | | |
| Amounts falling due within one year | 14 | (1,689) | (1,171) | (1,069) | (1,080) |
| Net current assets | | <u>2,303</u> | <u>277</u> | <u>5,136</u> | <u>1,369</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 37,302 | 38,278 | 37,302 | 38,278 |
| Creditors: | | | | | |
| Amounts falling due after more than one year | 15 | (268) | (357) | (268) | (357) |
| TOTAL NET ASSETS | | <u>37,034</u> | <u>37,921</u> | <u>37,034</u> | <u>37,921</u> |
| Deferred Capital | 16, 26 | 1,720 | 71 | 1,720 | 71 |
| Endowments | | | | | |
| Specific | | 9,221 | 10,158 | 9,221 | 10,158 |
| General | | <u>16,995</u> | <u>19,378</u> | <u>16,995</u> | <u>19,378</u> |
| | 17 | 26,216 | 29,536 | 26,216 | 29,536 |
| Reserves | | | | | |
| Designated reserves | 18 | 693 | 339 | 693 | 339 |
| General reserves | 18, 26 | <u>8,405</u> | <u>7,975</u> | <u>8,405</u> | <u>7,975</u> |
| | | 9,098 | 8,314 | 9,098 | 8,314 |
| TOTAL FUNDS | | <u>37,034</u> | <u>37,921</u> | <u>37,034</u> | <u>37,921</u> |

The financial statements were approved by the Governing Body of Lady Margaret Hall on 3 December 2008.

F Lannon
Principal

R Sommers
Treasurer

Consolidated Cashflow Statement
Year ended 31 July 2008

| | Note | July 2008 £000 | July 2007 as restated £000 |
|--|------|----------------------|-------------------------------------|
| Net cash inflow from operating activities | 24 | <u>376</u> | <u>451</u> |
| Returns on investments and servicing of finance | | | |
| Income from endowments received | | 320 | 417 |
| Other income from investments and interest received | | <u>159</u> | <u>116</u> |
| | | 479 | 533 |
| Interest paid | | (37) | (38) |
| Net cash inflow from returns on investments and servicing of finance | | <u>442</u> | <u>495</u> |
| Capital expenditure and financial investment | | | |
| Net acquisition of tangible fixed assets | | (2,474) | (2,155) |
| Net (acquisition) / realisation of fixed asset investments | | 0 | 970 |
| Net realisation of endowment asset investments | | 449 | 472 |
| Specific donations for building project received | | 1,649 | 71 |
| Endowments received | | 478 | 653 |
| Capital grant from the University | | 250 | 250 |
| Net cash (outflow) / inflow from capital expenditure and financial investment | | <u>352</u> | <u>261</u> |
| Total Net cash inflow before use of liquid resources and financing | | 1,170 | 1,207 |
| Management of liquid resources: | | | |
| Decrease / (increase) in short term investments | | 251 | (169) |
| Financing: | | | |
| Loan repayments | | (89) | (97) |
| Increase in cash | 25 | <u>1,332</u> | <u>941</u> |
| Reconciliation of net cash flow to movement in net funds | | | |
| Increase in cash for the year | | 1,332 | 941 |
| (Decrease) / increase in liquid resources and current asset investments | | (251) | 169 |
| Decrease / (increase) in debt | | 89 | 97 |
| Change in net funds | | <u>1,170</u> | <u>1,207</u> |
| Net funds at 1 August 2007 | | 1,514 | 307 |
| Net funds at 31 July 2008 | 25 | <u>2,684</u> | <u>1,514</u> |

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

1 ACADEMIC FEES AND TUITION INCOME

Tuition fees from UK and European Union students
Tuition fees from overseas students
Other fees
Other tuition income

| July 2008 | July 2007 as restated |
|--------------|-----------------------------|
| £000 | £000 |
| 1,839 | 1,691 |
| 313 | 212 |
| 234 | 232 |
| 118 | 92 |
| 2,504 | 2,227 |

The above analysis includes fee income in respect of UK and European Union publicly funded students amounting to £1,644k (2007 year: £1,506k).

2 RESEARCH GRANTS AND CONTRACTS

Research councils
Other grants and contracts

| £000 | £000 |
|------|------|
| 0 | 0 |
| 83 | 81 |
| 83 | 81 |

3 OTHER OPERATING INCOME

Residential income from college members
Conference and function income
Grants and donations
Other income

| £000 | £000 |
|-------|-------|
| 1,553 | 1,611 |
| 820 | 829 |
| 922 | 1,069 |
| 53 | 73 |
| 3,348 | 3,582 |

4 ENDOWMENT RETURN AND INTEREST RECEIVABLE

Transferred from specific endowments (note 16)
Transferred from general endowments (note 16)
Other investment income
Other interest receivable

| £000 | £000 |
|-------|------|
| 303 | 195 |
| 678 | 619 |
| 159 | 116 |
| 0 | 0 |
| 1,140 | 930 |

5 STAFF COSTS

Gross pay
Social Security costs
Other pension costs (note 6)
Other benefits

| £000 | £000 |
|-------|-------|
| 2,773 | 2,607 |
| 196 | 197 |
| 298 | 291 |
| 162 | 193 |
| 3,429 | 3,288 |

It is standard accounting practice to disclose further information relating to staff numbers and analyses of remuneration for higher paid employees. This information has not been included due to the particular difficulty of presenting meaningful data for staff jointly employed by the University and College.

6 PENSION SCHEMES

6.1 The two principal pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the University of Oxford Staff Pension Scheme (OSPS). The schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and final pensionable salary) and are contracted out from the State Earnings Related Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. Both Schemes are multi-employer schemes and the College is unable to identify its share of the underlying assets on a consistent and reasonable basis. Therefore, as required by the accounting standard FRS17 "Retirement Benefits", the College accounts for the schemes as if they were defined contribution schemes. 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.

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

6.3 Within OSPS, the amount of any pension shortfall in respect of any withdrawing participating employer will be charged to that employer.

6.4 Qualified actuaries periodically value the Schemes. Both USS and OSPS were valued using the "projected unit" method, embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are shown in the following table.

| | USS | OSPS |
|---|-------------|------------|
| Date of latest actuarial valuation | 31/03/2005a | 31/07/07 |
| Date valuation results published | 01/12/2005 | 09/10/2008 |
| Principal assumptions: | | |
| Investment returns per annum - future service liabilities | 6.2% pa | |
| Investment returns per annum - past service liabilities | 4.5% pa | |
| Rate of interest (periods up to retirement) | | 6.9% pa |
| Rate of interest (periods after retirement) | | 4.9% pa |
| Salary increases per annum | 3.9% pa | 4.8% pa |
| Pension increases per annum | 2.9% pa | 3.3% pa |
| Mortality assumptions: | | |
| Assumed life expectancy at age 65 (males) | 19.8 yrs | 22.0 yrs |
| Assumed life expectancy at age 65 (females) | 22.8 yrs | 24.0 yrs |
| The results of the latest actuarial valuations are: | | |
| Value of past service liabilities | £28,308m | £325m |
| Value of assets | £21,740m | £282m |
| Funding surplus/(deficit) | (£6,568m)b | (£43m)c |
| Funding Ratios: | | |
| Scheme valuation basis | 77%d | 87% |
| Statutory Pension Protection Fund basis: | 110% | 95% |
| "Buy-out" basis: | 74%d | 71% |
| Estimated FRS17 basis: | 90%d | 89% |
| Recommended employer contribution rate | 14%e | 21.5%c |
| Effective date of next valuation | 31/03/2008a | 31/07/2010 |

Notes:

- USS' actuary is undertaking an actuarial valuation of the Scheme as at 31 March 2008, the results of which are not expected to be finalised until December 2008, with publication of the final results in 2009.
- In the light of the considerable swings in markets since the 2002 valuation, the nature of the demographic and financial assumptions used in the ongoing and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the ongoing funding deficit could be carried forward to the next valuation, subject to review should equity markets stagnate or decline over a prolonged period.
- OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £42.9m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.
- Since 31 March 2005, the financial security of USS has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007, but that at 31 March 2008 it had fallen back to 77%. This fluctuation is due to the volatility of investment returns and gilt yields (used to value scheme liabilities) compared to the rates assumed at 31 March 2005. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2008 was above 104% and on a buy out basis was approximately 78%.
- The USS employer contribution rate required for future service benefits alone at the date of the valuation was 14.3% of total pensionable salaries but the Trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of total pensionable salaries.

6 PENSION SCHEMES continued

6.5 Sensitivity of actuarial valuation assumptions:

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities | |
|----------------------------|--|-------------------------------|-----------------------------|
| | | USS | OSPS |
| Valuation rate of interest | increase/decrease by 0.5% | decrease / increase by £2.2bn | decrease / increase by £11m |
| Rate of pension increases | increase/decrease by 0.5% | increase / decrease by £1.7bn | increase / decrease by £32m |
| Rate of salary growth | increase/decrease by 0.5% | increase / decrease by £0.5bn | increase / decrease by £9m |
| Rate of mortality | more prudent assumption (mortality used at last valuation, rated down by a further year) | increase by £0.8bn | increase by £8m |

6.6 The pension charge recorded by the College was equal to the contributions paid as follows:

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| Universities Superannuation Scheme | £170 | £164 |
| University of Oxford Staff Pension Scheme | £128 | £127 |
| | £298 | £291 |

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

7 ANALYSIS OF EXPENDITURE

| | Staff costs | Depreciation | Other operating expenses | Total July 2008 | Total July 2007 |
|--------------------------------------|-------------|--------------|--------------------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Academic | 1,781 | | 281 | 2,062 | 2,013 |
| Residences, catering and conferences | 860 | | 1,022 | 1,882 | 1,859 |
| Premises and equipment | 266 | 283 | 517 | 1,066 | 1,080 |
| College administration | 319 | | 289 | 608 | 632 |
| Endowment management | | | 93 | 93 | 131 |
| Fundraising | 121 | | 118 | 239 | 247 |
| Other | 82 | | 44 | 126 | 107 |
| | 3,429 | 283 | 2,364 | 6,076 | 6,068 |
| Interest payable | | | | 37 | 38 |
| Contribution under Statute XV | | | | (4) | 14 |
| Total expenditure | | | | 6,109 | 6,120 |

The above analysis includes expenditure in respect of UK and European Union students met by publicly funded fee income amounting to £1,644k (2007: £1,506k for the year)

Interest payable relates to
Bank loans, overdrafts and other loans:
 Repayable within 5 years
 Repayable wholly or partly in more than 5 years

| £000 | £000 |
|------|------|
| 37 | 38 |
| 0 | 0 |
| 37 | 38 |
| 14 | 25 |
| 6 | 4 |
| 20 | 29 |

Other operating expenses include auditors' remuneration:
in respect of the audit of these financial statements
in respect of other services

8 TAXATION

As the College is a charity exempt from registration under the Charities Act 1993, all College income and capital gains are applied to charitable purposes only and all profits of subsidiary undertakings are paid to the College under Gift Aid, no liability arises to United Kingdom corporation tax.

9 SURPLUS FOR THE YEAR

College's surplus for the year
Surplus/(deficit) generated by the subsidiary undertakings

| £000 | £000 |
|------|------|
| 966 | 704 |
| 0 | 0 |
| 966 | 704 |

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

10 TANGIBLE FIXED ASSETS

| | CONSOLIDATED | | | COLLEGE | | |
|-----------------------|---------------------------------|-----------|--------|---------------------------------|-----------|-------|
| | Freehold Land & Buildings | Equipment | Total | Freehold Land & Buildings | Equipment | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| At start of year | 8,194 | 412 | 8,606 | 7,098 | 404 | 7,502 |
| Additions | 2,434 | 40 | 2,474 | 693 | 40 | 733 |
| Disposals | | 0 | 0 | | 0 | 0 |
| At end of year | 10,628 | 452 | 11,080 | 7,791 | 444 | 8,235 |
| Depreciation | | | | | | |
| At start of year | 1,804 | 210 | 2,014 | 1,804 | 202 | 2,006 |
| Charge for year | 191 | 92 | 283 | 191 | 92 | 283 |
| Disposals | | 0 | 0 | | 0 | 0 |
| At end of year | 1,995 | 302 | 2,297 | 1,995 | 294 | 2,289 |
| Net book value | | | | | | |
| At end of year | 8,633 | 150 | 8,783 | 5,796 | 150 | 5,946 |
| At start of year | 6,390 | 202 | 6,592 | 5,294 | 202 | 5,496 |

The net book value of tangible fixed assets does not include any amounts in respect of assets held under finance leases.

11 FIXED ASSET INVESTMENTS

| | CONSOLIDATED | | COLLEGE | |
|--|--------------|--------------|--------------|--------------|
| | July 2008 | July 2007 | July 2008 | July 2007 |
| | £000 | £000 | £000 | £000 |
| Securities stated at market value | | | | |
| At start of year | 1,873 | 2,669 | 1,873 | 2,669 |
| Purchases at cost | 0 | 38 | 0 | 38 |
| Sale proceeds | 0 | (1,008) | 0 | (1,008) |
| Increase / (decrease) in cash | 569 | 0 | 569 | 0 |
| Revaluation (losses) / gains | (170) | 174 | (170) | 174 |
| Cash transferred to current assets | (2,272) | 0 | (2,272) | 0 |
| At end of year | 0 | 1,873 | 0 | 1,873 |
| Historical cost at end of year | 0 | 857 | 0 | 857 |
| Investments stated at cost | | | | |
| Subsidiary undertakings | 0 | 0 | 4 | 4 |
| Total at end of year | 0 | 1,873 | 4 | 1,877 |

The College owns 100% of the issued share capital of LMH Conference Services Limited, Lady Margaret Hall Properties Limited and Lady Margaret Hall Trading Ltd, companies incorporated in England and Wales. The principal business activities are respectively the provision of conference facilities, property letting services and management of new capital building projects for Lady Margaret Hall.

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

12 ENDOWMENT ASSET INVESTMENTS
CONSOLIDATED AND COLLEGE

| | July 2008 | July 2007 |
|---|---------------|---------------|
| | £000 | £000 |
| Securities and cash | | |
| At market value | | |
| At start of year | 29,536 | 26,408 |
| Purchases at cost | 6,516 | 13,154 |
| Sale proceeds | (6,965) | (13,627) |
| Increase / (decrease) in cash held by fund manager | 528 | 949 |
| Revaluation (losses) / gains | (3,399) | 2,652 |
| | 26,216 | 29,536 |
| <i>Analysed as</i> | | |
| Equities (listed) | 23,302 | 28,462 |
| Unlisted securities | 2,843 | 1,701 |
| Cash | 71 | 1,246 |
| | 26,216 | 31,409 |
| Belonging to General Reserves | 0 | 1,873 |
| | 26,216 | 29,536 |
| Historical cost of Endowment Asset Investments at end of July | 27,512 | 27,008 |

13 DEBTORS

| | CONSOLIDATED | | COLLEGE | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | July 2008 | July 2007 | July 2008 | July 2007 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year | | | | |
| Trade debtors | 224 | 280 | 112 | 83 |
| Prepayments and accrued income | 548 | 192 | 175 | 149 |
| Amounts owed by College members | 224 | 245 | 168 | 189 |
| Amounts owed by group undertakings | 0 | 0 | 2,787 | 1,356 |
| | 996 | 717 | 3,242 | 1,777 |

14 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

| | CONSOLIDATED | | COLLEGE | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | July 2008 | July 2007 | July 2008 | July 2007 |
| | £000 | £000 | £000 | £000 |
| Accruals and deferred income | 555 | 188 | 249 | 168 |
| Trade creditors | 250 | 370 | 182 | 306 |
| College Contribution | 6 | 17 | 6 | 17 |
| Other taxation and social security | 85 | 118 | 110 | 116 |
| Bank loans and overdrafts | 59 | 59 | 59 | 59 |
| Unsecured loans | 30 | 30 | 30 | 30 |
| Amounts owed to group undertakings | 0 | 0 | 127 | 17 |
| Other creditors and deferred income | 704 | 389 | 305 | 367 |
| | 1,689 | 1,171 | 1,068 | 1,080 |

Deferred income includes grants received for specific purposes and not yet expended.

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

15 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

| | CONSOLIDATED | | COLLEGE | |
|-----------------|--------------|-----------|-----------|-----------|
| | July 2008 | July 2007 | July 2008 | July 2007 |
| | £000 | £000 | £000 | £000 |
| Bank loan | 118 | 177 | 118 | 177 |
| Unsecured loans | 150 | 180 | 150 | 180 |
| Other creditors | 0 | 0 | 0 | 0 |
| | 268 | 357 | 268 | 357 |

The unsecured bank loan is fixed at 5.85% p.a. interest, repayable over the next three years.

The unsecured loan of £300k received from the College Contributions Committee in 2004 is repayable over 10 years and bears interest at one-third of the prevailing Bristol and West plc standard variable rate.

16 DEFERRED CAPITAL

| CONSOLIDATED AND COLLEGE | | July 2008 | July 2007 as restated |
|--|--|--------------|-----------------------|
| | | £000 | £000 |
| At start of year as previously stated | | 0 | 0 |
| Prior year adjustment (note 26) | | 71 | 0 |
| At start of year as restated | | 71 | 0 |
| New capital | | 1,649 | 71 |
| Released to income and expenditure account | | 0 | 0 |
| At end of July 2008 | | 1,720 | 71 |

The balance on deferred capital represents specific donations received to finance tangible fixed assets building projects. When completed, amounts will be released to the income and expenditure account over the lives of the related assets on the same basis as the charge for depreciation.

17 ENDOWMENTS

| CONSOLIDATED AND COLLEGE | | Specific | General | Total | July 2007 |
|--|--|--------------|---------------|---------------|---------------|
| | | £000 | £000 | £000 | £000 |
| At start of year | | 10,158 | 19,378 | 29,536 | 26,408 |
| Endowments received | | 441 | 37 | 478 | 653 |
| Capital grant from the University | | 0 | 250 | 250 | 250 |
| Appreciation (depreciation) of endowment investments | | (1,158) | (2,241) | (3,399) | 2,652 |
| Income receivable from endowment asset investments | | 109 | 211 | 320 | 417 |
| Transferred to income and expenditure account (note 4) | | (303) | (678) | (981) | (814) |
| Transfer from/(to) reserves | | (26) | 38 | 12 | (30) |
| At end of July 2008 | | 9,221 | 16,995 | 26,216 | 29,536 |

Endowments comprise those funds which are regarded as for the long term and which fundamentally underpin and sustain the operation of the College at its desired level of activity.

Specific Endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity.

General Endowments represent the corporate capital of the College and include bequests and gifts where the use of the capital and income (or only the income) is for the general purposes of the College. Part of these funds may have been designated for a particular purpose by the Governing Body.

There are no specific endowments (Consolidated or College) which provide income for purposes that lie outside the objects of the College.

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2008

18 RESERVES

18.1 DESIGNATED RESERVES

CONSOLIDATED AND COLLEGE

| | |
|---|--|
| At start of year | |
| Transfers from general reserve - Capital building project | |
| Transfers from general reserve - Other | |
| Transfers to general reserve - Capital building project | |

| July 2008 | July 2007 |
|--------------|--------------|
| £000 | £000 |
| 339 | 517 |
| 679 | 831 |
| 89 | 87 |
| (414) | (1,096) |
| 693 | 339 |

At end of July 2008

Designated reserves are those reserves set aside by the College to be used for a special purpose, and which do not form part of College endowments.

At 31st July 2008 the Designated Reserves comprised:

| | |
|---|--|
| Capital buildings project | |
| Reserve for repayments of endowment loans to fund buildings acquisitions and improvements | |
| Other purposes | |

| July 2008 | July 2007 |
|--------------|--------------|
| £000 | £000 |
| 0 | (265) |
| 662 | 573 |
| 31 | 31 |
| 693 | 339 |

18.2 GENERAL RESERVES

| | |
|--|--|
| At start of year as previously stated | |
| Prior period adjustments re deferred capital (note 26) | |
| At start of year as restated | |
| (Depreciation) / appreciation of fixed asset investments | |
| Surplus / (deficit) from income and expenditure account | |
| Transfers from endowment | |
| Transfers (to) / from designated reserves | |

| CONSOLIDATED | | COLLEGE | |
|--------------|-----------------------------|--------------|-----------------------------|
| July 2008 | July 2007 as restated | July 2008 | July 2007 as restated |
| £000 | £000 | £000 | £000 |
| 8,046 | 6,890 | 8,046 | 6,890 |
| (71) | | (71) | |
| 7,975 | 6,890 | 7,975 | 6,890 |
| (170) | 174 | (170) | 174 |
| 966 | 704 | 966 | 704 |
| (12) | 29 | (12) | 29 |
| (354) | 178 | (354) | 178 |
| 8,405 | 7,975 | 8,405 | 7,975 |

| | |
|--|--|
| Representing: | |
| Undepreciated cost of tangible fixed assets financed out of general reserves | |
| College general reserve - other | |

| | | | |
|-------|-------|-------|-------|
| 7,063 | 6,521 | 5,946 | 5,496 |
| 1,342 | 1,454 | 2,459 | 2,479 |
| 8,405 | 7,975 | 8,405 | 7,975 |

19 CAPITAL COMMITMENTS

CONSOLIDATED AND COLLEGE

| | |
|-----------------------------|--|
| Contracted at 31 July 2008: | |
| New building commitments | |
| Other commitments | |

| £000 | £000 |
|-------|------|
| 6,300 | 0 |
| 316 | 0 |
| 6,616 | 0 |

20 FINANCIAL COMMITMENTS

At 31 July 2008 the College had no annual commitments under non-cancellable operating leases.

21 POST BALANCE SHEET EVENTS

No material event occurred after the date of the balance sheet the disclosure of which is deemed to contribute to a proper understanding of the financial position.

22 CONTINGENT LIABILITIES

There are no obligations arising from events occurring before the date of the balance sheet whose existence will be confirmed only by the occurrence of events not wholly within the College's control.

23 RELATED PARTY TRANSACTIONS

There were no material transactions undertaken by the College with a related party as defined in Financial Reporting Statement 8 "Related Party Disclosures".

24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | July 2008 | July 2007 as restated |
|--|--------------|-----------------------------|
| | £000 | £000 |
| Surplus for the year | 966 | 704 |
| Depreciation | 283 | 257 |
| Endowment income and interest receivable | (1,140) | (930) |
| Interest payable | 37 | 38 |
| (Increase) / decrease in stocks and work in progress | (9) | 4 |
| (Increase) / decrease in debtors | (279) | 629 |
| Increase / (decrease) in creditors | 518 | (251) |
| | 376 | 450 |

25 ANALYSIS OF CHANGES IN NET FUNDS

| | July 2008 | Changes | July 2007 |
|---------------------------------|--------------|---------|--------------|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 2,679 | 2,507 | 172 |
| Endowment assets cash (note 12) | 71 | (1,175) | 1,246 |
| | 2,750 | 1,332 | 1,418 |
| Short term investments | 202 | (251) | 453 |
| Debt due after 1 year (note 15) | (268) | 89 | (357) |
| | 2,684 | 1,170 | 1,514 |

26 PRIOR PERIOD ADJUSTMENT

The change in accounting policy for recognition of deferred capital has resulted in a decrease in income recognised in the income and expenditure account for the year ended 31st July 2007 of £71k. In accordance with the revised accounting policy these specific donations have been transferred directly to deferred capital so there is no effect on total funds at 1st August 2007.