



LMH

Lady Margaret Hall

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2009

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2009

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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 2009 .

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
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
Dr Nicholas Fawcett
Prof Antony Galione
Dr Christine Gerrard
Prof Vincent Gillespie
Dr José Goicoechea
Prof Robert Griffiths
Dr Nicholas Hankins
Prof Li He
Dr Clive Holmes
Dr Todd Huffman
Prof Richard Jenkyns
Dr Marie-Chantal Killeen
Dr Jochen Koenigsmann
Dr Christina Kuhn (from 1 October 2009)
Prof David Macdonald
Prof Ewan McKendrick
Dr Mary MacRobert
Dr Judith Mank
Dr Gunther Martin
Dr Michael Monoyios
Prof Anant Parekh
Miss Gillian Peele

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Report of the Governing Body (continued)

Dr Penny Probert Smith
Dr Christopher Shields
Mr Richard Sommers
Dr Fiona Spensley
Prof Guy Stroumsa (from 1 October 2009)
Prof Adrian Thomas
Prof Alain Viala
Mr Peter Watson
Dr Susan Wollenberg
Dr Christine Wong

Additionally, the following were members of the Governing Body for part or all of the year:
Prof Christopher Redman (to 30 September 2009)
Dr Nicholas Shrimpton (to 30 September 2009)

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 has had a challenging year financially. A strong year of fund raising contrasts with difficulties on the Income and Expenditure Account and further declines in financial markets reducing the value of the endowment.

The Income and Expenditure Account shows a surplus of £172k (2.6% of expenditure). Within "Other operating income" are legacies and donations which the College has applied to reserves designated for the new building project. Without these items, there would have been a deficit of £116k which the College considers to be an acceptable, if not 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.

LADY MARGARET HALL

Report of the Governing Body (continued)

Considering the results by comparison to 2008, total income has fallen by 5.3% and total expenditure has grown by 6.8%. The fall in income results from a fall in unrestricted donations, as these can vary significantly from year to year, academic fees being down slightly and conference income suffering in difficult economic times. Endowment income increased slightly, although under the sustainable spending rule up to 4% of the opening valuation of the endowment funds was transferred to income, compared to up to 3.5% in the previous year. Expenditure was driven higher by a sharp increase in utilities costs, the final award of a three year national pay agreement being well above average inflation and increased pension fund contributions, all factors outside the College's direct control.

Turning to the balance sheet, total funds ended the year at £32,981k, a fall of £4,053k (10.9%) over the year. This fall was caused almost entirely by the capital depreciation of endowment asset investments, which fell 18% to £21,417k, resulting from the drop in financial markets between August 2008 and March 2009 before some recovery in the period up to the financial year end.

Fixed assets increased from £8,783k to £14,528k, reflecting capital expenditure principally the new building. This expenditure was funded by donations and by drawing down on a loan facility of up to £6m to be repaid over twenty years.

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 14.6% as compared to the absolute benchmark of 6.7% and relative benchmark of minus 9.6%. Over the last three years, these investments achieved an annualised return of minus 2.7% compared to the absolute benchmark return of 7.7% and the relative benchmark return of minus 0.5%. 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 considers that a long-term approach to investment is appropriate as the College is a charitable trust with no requirement to distribute capital and so believes that a significant allocation to equities remains correct. Over the six months to 31 July 2009, the portfolio returned 8.7% as against the absolute benchmark of 4.5% and the relative benchmark of 8.8%.

Reserves

The balance on reserves at the year end amounts to £9,359k. The Governing Body considers that a free general reserve of between £2.5m and £3.0m (currently £0.4m) 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.

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 the 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 for 2010 to 2014 is close to completion.

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 2 December 2009

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 2009 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 2009 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 2009 has been applied to the purposes for which it was received.

Critchleys
Statutory Auditors
Chartered Accountants
Oxford

4 December 2009

LADY MARGARET HALL

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 4 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 4 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.

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

LADY MARGARET HALL

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.

LADY MARGARET HALL
Consolidated Income and Expenditure Account
Year ended 31 July 2009

		July 2009	July 2008
	Note	£000	£000
INCOME			
Academic fees and tuition income	1	2,482	2,504
Research grants and contracts	2	100	83
Other operating income	3	3,006	3,348
Endowment return and interest receivable	4	1,111	1,140
Total income		<u>6,699</u>	<u>7,075</u>
EXPENDITURE			
Staff costs	5, 7	3,830	3,429
Depreciation	7	267	283
Other operating expenses	7	2,400	2,364
Interest payable	7	33	37
Contribution under Statute XV	7	(3)	(4)
Total expenditure		<u>6,527</u>	<u>6,109</u>
Surplus for the period on continuing operations before taxation and disposal of fixed assets		172	966
Surplus on disposal of fixed assets		0	0
Surplus for the year after taxation	8, 9	<u>172</u>	<u>966</u>

Consolidated statement of total recognised gains and losses
Year ended 31 July 2009

		July 2009	July 2008
	Note	£000	£000
Reserves			
Surplus for the year		172	966
(Depreciation) / appreciation of fixed asset investments		0	(170)
Endowments			
Income receivable from endowment asset investments	17	491	320
Endowment management expenses	17	(74)	
Endowment income transferred to income and expenditure account	17	(995)	(981)
(Depreciation) / appreciation of endowment asset investments	17	(4,177)	(3,399)
New endowments received	17	45	728
Deferred Capital			
Specific donations for building projects received	16	485	1,649
Total recognised (losses) / gains relating to the period		<u>(4,053)</u>	<u>(887)</u>
Opening fund balances		37,034	37,921
Closing fund balances		<u>32,981</u>	<u>37,034</u>

LADY MARGARET HALL
Balance Sheets
As at 31 July 2009

	Note	CONSOLIDATED		COLLEGE	
		July 2009	July 2008	July 2009	July 2008
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	14,528	8,783	14,528	5,946
Investments	11	0	0	4	4
		<u>14,528</u>	<u>8,783</u>	<u>14,532</u>	<u>5,950</u>
Endowment asset investments					
Securities and cash deposits		21,417	26,216	21,417	26,216
	12	<u>21,417</u>	<u>26,216</u>	<u>21,417</u>	<u>26,216</u>
Current assets:					
Stocks		110	115	109	114
Debtors	13	877	996	438	3,242
Short term investments	25	0	202	0	202
Cash at bank and in hand		1,965	2,679	1,939	2,647
		<u>2,952</u>	<u>3,992</u>	<u>2,486</u>	<u>6,205</u>
Creditors:					
Amounts falling due within one year	14	(1,578)	(1,689)	(1,116)	(1,069)
		<u>1,374</u>	<u>2,303</u>	<u>1,370</u>	<u>5,136</u>
Net current assets					
		<u>1,374</u>	<u>2,303</u>	<u>1,370</u>	<u>5,136</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		37,319	37,302	37,319	37,302
Creditors:					
Amounts falling due after more than one year	15	(4,338)	(268)	(4,338)	(268)
		<u>32,981</u>	<u>37,034</u>	<u>32,981</u>	<u>37,034</u>
TOTAL NET ASSETS					
		<u>32,981</u>	<u>37,034</u>	<u>32,981</u>	<u>37,034</u>
Deferred Capital					
	16	2,205	1,720	2,205	1,720
Endowments					
Specific		7,474	9,221	7,474	9,221
General		13,943	16,995	13,943	16,995
	17	<u>21,417</u>	<u>26,216</u>	<u>21,417</u>	<u>26,216</u>
Reserves					
Designated reserves	18	820	693	820	693
General reserves	18	8,539	8,405	8,539	8,405
		<u>9,359</u>	<u>9,098</u>	<u>9,359</u>	<u>9,098</u>
TOTAL FUNDS					
		<u>32,981</u>	<u>37,034</u>	<u>32,981</u>	<u>37,034</u>

The financial statements were approved by the Governing Body of Lady Margaret Hall on 2nd December 2009

F Lannon
Principal

R Sommers
Treasurer

LADY MARGARET HALL
Consolidated Cashflow Statement
Year ended 31 July 2009

	Note	July 2009 £000	July 2008 £000
Net cash inflow from operating activities	24	<u>(626)</u>	<u>376</u>
Returns on investments and servicing of finance			
Income from endowments received		491	320
Less endowment management expenses		(74)	
Other income from investments and interest received		<u>116</u>	<u>159</u>
		533	479
Interest paid		(33)	(37)
Net cash inflow from returns on investments and servicing of finance		<u>500</u>	<u>442</u>
Capital expenditure and financial investment			
Net acquisition of tangible fixed assets		(6,012)	(2,474)
Net realisation of endowment asset investments		1,528	449
Specific donations for building project received		485	1,649
Endowments received		45	478
Capital grant from the University		0	250
Net cash (outflow) / inflow from capital expenditure and financial investment		<u>(3,954)</u>	<u>352</u>
Total Net cash (outflow) / inflow before use of liquid resources and financing		(4,080)	1,170
Management of liquid resources:			
Decrease / (increase) in short term investments		202	251
Financing:			
Loan receipts / (repayments)		4,070	(89)
Increase in cash	25	<u>192</u>	<u>1,332</u>
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash		192	1,332
(Decrease) / increase in liquid resources and current asset investments		(202)	(251)
(Increase) / Decrease in debt		(4,070)	89
Change in net funds		<u>(4,080)</u>	<u>1,170</u>
Net funds at 31 July 2008		2,684	1,514
Net funds at 31 July 2009	25	<u>(1,396)</u>	<u>2,684</u>

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31 July 2009

1 ACADEMIC FEES AND TUITION INCOME

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

July 2009	July 2008
£000	£000
1,616	1,839
472	313
267	234
127	118
2,482	2,504

The above analysis includes support from the University from HEFCE funds amounting to £1,690k (2008 - £1,644k)

2 RESEARCH GRANTS AND CONTRACTS

Research councils
Other grants and contracts

£000	£000
0	0
100	83
100	83

3 OTHER OPERATING INCOME

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

£000	£000
1,670	1,553
750	820
494	922
92	53
3,006	3,348

4 ENDOWMENT RETURN AND INTEREST RECEIVABLE

Transferred from specific endowments (note 17)
Transferred from general endowments (note 17)
Other investment income
Other interest receivable

£000	£000
315	303
680	678
111	159
5	0
1,111	1,140

5 STAFF COSTS

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

£000	£000
3,090	2,773
225	196
348	298
167	162
3,830	3,429

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	31/03/2008 ^a	31/07/07
Date valuation results published	01/12/2005	09/10/2008
The results of the latest actuarial valuations are:		
Value of liabilities	£28,135m	£325m
Value of assets	£28,842m	£282m
Funding surplus/(deficit)	£707m ^b	(£43m) ^c
Principal assumptions:		
Investment returns per annum - future service liabilities	4.4% pa	-
Investment returns per annum - past service liabilities	6.1% pa	-
Rate of interest (periods up to retirement)	-	6.9% pa
Rate of interest (periods after retirement)	-	4.9% pa
Salary increases per annum	4.3% pa	4.8% pa
Pension increases per annum	3.3% pa	3.3% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	23 yrs	22.0 yrs
Assumed life expectancy at age 65 (females)	25 yrs	24.0 yrs
Funding Ratios:		
Technical Provisions basis	103% ^d	87%
Statutory Pension Protection Fund basis:	107%	95%
"Buy-out" basis:	79% ^d	71%
Estimated FRS17 basis:	104% ^d	89%
Recommended employer contribution rate	16% ^e	21.5% ^c
Effective date of next valuation	31/03/2011 ^a	31/03/2010

Notes:

- USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which are not expected to be finalised until December 2011, with publication of the final results in 2012.
- In the light of the considerable swings in markets since the valuation date, 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 small ongoing funding surplus should be carried forward to the next valuation.
- 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 £43.2m. 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 103% at 31 March 2008. 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 79%.
- The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries and the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

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 £30m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £20m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £7m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m

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

	2009 £000	2008 £000
Universities Superannuation Scheme	193	170
University of Oxford Staff Pension Scheme	155	128
	348	298

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Year ended 31 July 2009

7 ANALYSIS OF EXPENDITURE

	Staff costs	Depreciation	Other operating expenses	Total July 2009	Total July 2008
	£000	£000	£000	£000	£000
Academic	1,901		340	2,241	2,062
Residences, catering and conferences	980		1,051	2,031	1,882
Premises and equipment	288	267	595	1,150	1,066
College administration	417		248	665	608
Endowment management			0	0	93
Fundraising	158		127	285	239
Other	86		39	125	126
	3,830	267	2,400	6,497	6,076
Interest payable				33	37
Contribution under Statute XV				(3)	(4)
Total expenditure				6,527	6,109

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
Repayable within 5 years	33	37
Repayable wholly or partly in more than 5 years	0	0
	33	37

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

	£000	£000
in respect of the audit of these financial statements	17	14
in respect of other services	5	6
	22	20

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
College's surplus for the year	172	966
Surplus/(deficit) generated by the subsidiary undertakings	(0)	0
	172	966

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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	10,628	452	11,080	7,791	444	8,235
Additions	5,939	73	6,012	8,776	73	8,849
Disposals		(10)	(10)		(2)	(2)
At end of year	16,567	515	17,082	16,567	515	17,082
Depreciation						
At start of year	1,995	302	2,297	1,995	294	2,289
Charge for period	195	72	267	195	72	267
Disposals		(10)	(10)		(2)	(2)
At end of year	2,190	364	2,554	2,190	364	2,554
Net book value						
At end of year	14,377	151	14,528	14,377	151	14,528
At start of year	8,633	150	8,783	5,796	150	5,946

The net book value of tangible fixed assets does not include any amounts in respect of assets held under finance leases.
College additions include £2,847k of new building costs incurred by LMH Trading Ltd in prior years which were included in College opening net current assets.

11 FIXED ASSET INVESTMENTS

	CONSOLIDATED		COLLEGE	
	July 2009	July 2008	July 2009	July 2008
	£000	£000	£000	£000
Securities stated at market value				
At start of year	0	1,873	0	1,873
Purchases at cost	0	0	0	0
Sale proceeds	0	0	0	0
Increase / (decrease) in cash	0	569	0	569
Revaluation (losses) / gains	0	(170)	0	(170)
Cash transferred to current assets	0	(2,272)	0	(2,272)
At end of year	0	0	0	0
Historical cost at end of year	0	0	0	0
Investments stated at cost				
Subsidiary undertakings	0	0	4	4
At end of year	0	0	4	4

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.

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12 ENDOWMENT ASSET INVESTMENTS
CONSOLIDATED AND COLLEGE

Securities and cash

At market value

At start of year
Purchases at cost
Sale proceeds
Increase / (decrease) in cash held by fund manager
Revaluation (losses) / gains

	July 2009	July 2008
	£000	£000
	26,216	29,536
	1,093	6,516
	(2,621)	(6,965)
	906	528
	(4,177)	(3,399)
	21,417	26,216
	17,739	23,302
	2,701	2,843
	977	71
	21,417	26,216
	25,885	27,512

Analysed as

Equities (listed)
Unlisted securities
Cash

Historical cost of Endowment Asset Investments at end of year

13 DEBTORS

	CONSOLIDATED		COLLEGE	
	July 2009	July 2008	July 2009	July 2008
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	140	224	103	112
Prepayments and accrued income	612	548	168	175
Amounts owed by College members	125	224	70	168
Amounts owed by group undertakings	0	0	97	2,787
Other debtors		0		0
	877	996	438	3,242

14 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		COLLEGE	
	July 2009	July 2008	July 2009	July 2008
	£000	£000	£000	£000
Accruals and deferred income	642	555	246	249
Trade creditors	223	250	164	182
College Contribution	0	6	0	6
Other taxation and social security	88	85	83	110
Bank loans and overdrafts	111	59	111	59
Unsecured loans	30	30	30	30
Amounts owed to group undertakings	0	0	270	127
Other creditors	484	704	212	305
	1,578	1,689	1,116	1,068

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

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15 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED		COLLEGE	
	July 2009	July 2008	July 2009	July 2008
	£000	£000	£000	£000
Bank loans	4,206	118	4,206	118
Unsecured loans	120	150	120	150
Other creditors	12	0	12	0
	4,338	268	4,338	268

The existing unsecured bank loan is fixed at 5.85% p.a. interest, the balance of £59k being repayable in the next two years.

The new unsecured New Buildings bank loan is repayable over 20 years commencing in May 2010. The interest option will be agreed in February 2010, when the Revolving Loan facility will be converted into a Term Loan, interest rate being 0.25% p.a. above either LIBOR or bank base rate or bank fixed rate. At 31st July 2009 the balance falling due after more than one year was £4.1m.

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

	July 2009	July 2008
	£000	£000
At start of year	1,720	71
New capital	485	1,649
Released to income and expenditure account	0	0
At end of year	2,205	1,720

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

	Specific	General	2009 Total	2008 Total
	£000	£000	£000	£000
At start of year	9,221	16,995	26,216	29,536
Endowments received	44	1	45	478
Capital grant from the University	0	0	0	250
Appreciation (depreciation) of endowment investments	(1,577)	(2,600)	(4,177)	(3,399)
Income receivable from endowment asset investments	167	324	491	320
Endowment management expenses	(25)	(49)	(74)	
Transferred to income and expenditure account (note 4)	(315)	(680)	(995)	(981)
Transfer from/(to) reserves	(41)	(48)	(89)	12
At end of year	7,474	13,943	21,417	26,216

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.

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Notes to the Financial Statements
Year ended 31 July 2009

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

At end of year

July 2009	July 2008
£000	£000
693	339
288	679
89	89
(250)	(414)
820	693

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 31 July the Designated Reserves comprised:

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

July 2009	July 2008
£000	£000
38	0
751	662
31	31
820	693

18.2 GENERAL RESERVES

At start of year
 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 2009	July 2008	July 2009	July 2008
£000	£000	£000	£000
8,405	8,046	8,405	8,046
0	(71)	0	(71)
8,405	7,975	8,405	7,975
0	(170)	0	(170)
172	966	172	966
89	(12)	89	(12)
(127)	(354)	(127)	(354)
8,539	8,405	8,539	8,405

Representing:

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

8,123	7,063	8,123	5,946
416	1,342	416	2,459
8,539	8,405	8,539	8,405

19 CAPITAL COMMITMENTS

CONSOLIDATED AND COLLEGE

Contracted at 31 July 2009:
 New building commitments
 Other commitments

£000	£000
1,672	6,300
0	316
1,672	6,616

20 FINANCIAL COMMITMENTS

At 31 July 2009 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.

LADY MARGARET HALL
Notes to the Financial Statements
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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 2009	July 2008
	£000	£000
Surplus for the year	172	966
Depreciation	267	283
Endowment income and interest receivable	(1,111)	(1,140)
Interest payable	33	37
(Increase) / decrease in stocks and work in progress	5	(9)
(Increase) / decrease in debtors	119	(279)
Increase / (decrease) in creditors	(111)	518
	(626)	376

25 CHANGES IN NET FUNDS

	July 2009	Changes	July 2008
	£000	£000	£000
Cash at bank and in hand	1,965	(714)	2,679
Endowment assets cash (note 12)	977	906	71
	2,942	192	2,750
Short term investments	0	(202)	202
Debt due after 1 year (note 15)	(4,338)	(4,070)	(268)
	(1,396)	(4,080)	2,684

26 FINANCING

	July 2009	July 2008
	£000	£000
New loans	4,159	0
Repayments of amounts borrowed	(89)	(89)
Capital element of finance lease rental payments	0	0
	4,070	(89)