

**LINCOLN COLLEGE**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

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## **LINCOLN COLLEGE**

### **Report of the Governing Body**

The Governing Body of Lincoln College presents the annual report and financial statements for the year ended 31st July 2009

#### **Status**

Lincoln College is a chartered charitable corporation. The full corporate designation of the College is "The Warden or Rector and Scholars of the College of the Blessed Mary and All Saints, Lincoln, in the University of Oxford, commonly called Lincoln College". The College was founded by Richard Fleming, Bishop of Lincoln, under a Royal Charter of King Henry VI, dated 13th October 1427, and a Deed of Foundation dated 1429. The corporation comprises the Rector and Fellows. The College is at present an exempt charity under s3(5a) Charities Act 1993 (as listed in Schedule 2(b) to that Act); the College anticipates a change in its charitable status under the terms of the Charities Act 2006.

#### **Objects**

The College exists to provide and promote education within the University of Oxford for undergraduate and post-graduate students, and to pursue advanced research and scholarship.

In 2001 the Governing Body of the College approved a general statement of the College's objects as being :

- to engage in advanced and innovative research of international quality;
- to promote and support post-graduate research within the collegiate university;
- to educate high-ability undergraduates, selected on academic grounds, to the most rigorous standards;
- to assist the collegiate university in furtherance of its educational mission;
- to reach out to all those who form part of the College's wider community of members and friends, and to the public that helps support its activities both regionally and nationally;
- to enhance and pass on to posterity its inherited assets and values;
- to maintain and increase College resources, and to maximise their effective use in the pursuit of academic excellence through both teaching and research.

In furtherance of these objects the College has a number of 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.

#### **Governance**

The Governing Body of the College comprises the Rector and Fellows. This Body is constituted and regulated in accordance with the College Statutes. The College Statutes are as made from time to time by order of Her Majesty in Council in accordance with the Royal Charter of 1427 and the Universities of Oxford and Cambridge Act 1923.

The Governing Body has responsibility 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 Rector. The Chairman of the College's Campaign Committee, an alumnus of the College, is not a member of the Governing Body but regularly attends Governing Body meetings by invitation.

The Governing Body is advised by a number of committees of which the two most important are convened by the College's principal executive officers: these are the Finance Committee (convened by the Bursar) and the Senior Tutor's Committee (convened by the Senior Tutor). The Finance Committee is comprised of Fellows of the College (both ex officio and by secondment for a defined period) together with invited alumni of the College who provide the benefit of their professional expertise in areas of finance and investments. The mandate of this Committee covers the College's investments, estates, premises, financial management and accounting, and financial oversight of the College's operations. The Senior Tutor's Committee is concerned with all aspects of the academic life of the College relating to Fellows and students.

The Rector and executive officers receive advice from the Rector's Council, an invited group of distinguished alumni of the College which meets once per annum for this purpose. In addition the College receives regular advice from the Development Executive Committee: this is comprised of a number of alumni of the College, meets several times each year and has a mandate to provide advice on the College's activities and strategic direction in the context of its fund-raising and its maintenance of relationships with alumni.

#### **Scope of financial statements**

The financial statements consolidate the accounts of Lincoln College, its subsidiary undertakings Lincoln College Enterprises Limited and Lincoln College Trading Limited, and The Lincoln College Michael Zilkha Fund (registered charity no 1095113).

## LINCOLN COLLEGE

### Report of the Governing Body

#### Review of Operations and Finance

In 2008-09 the College's management of its operations resulted in a financial surplus of £566k (2007-08: £337k).

This was the seventh consecutive year that the College has produced a financial surplus. This outcome is consistent with the strategic intention to control income and expenditure such that ongoing operations do not erode the capital value of the College's endowment but may, indeed, enlarge it. The College continued to operate with a financial surplus despite the very difficult national and global economic circumstances which impacted the College in two particular areas. First, income from conferences and summer schools was sharply reduced as our most important regular conference reduced its activity for the year by 40% and all three of our principal summer schools experienced reductions in their attendance numbers. Second, on the expenditure side the College's utilities spending was in 2008-09 approximately 60% higher than in the previous year, as price increases coincided with the renegotiation of inter-collegiate supply contracts. However the financial disciplines and economies put in place in the last few years served to cushion the College from the worst effects of the economic climate. Consequently the College was able to increase its expenditure on the core activities of teaching and research, and on the provision of financial support for student members.

For the purposes of operational planning a yield of 3% is assumed to be drawn down on a sustainable basis from the College's endowment assets. (For this purpose the value of the endowment is taken as being an average of the previous three years' valuations). In fact, with the deficit on operations (that is, before taking into account income from the endowment) slightly larger than had been planned, the hypothetical sum required to be drawn from the endowment to fund operations in 2008-09 was approximately 3.2% of the value of the endowment.

In 2009 Lincoln became one of the first of the Oxford colleges to obtain a credit rating from a recognised agency. The AAA rating from Fitch Associates is a confirmation not only of the College's financial standing but also of the integrity of its governance and management processes, and will be to the College's advantage should it decide to take out a commercial loan to support its activities.

#### Investment Management

The College's investments are under the direction of the Governing Body which acts on the recommendations of the Finance Committee. The Finance Committee is chaired by the Rector and benefits from the advice of two Committee members who are alumni of the College and who have special experience in investment and general financial matters.

The value of the College's endowment assets stood at £56.10m at the end of July 2009 (£59.76m : 2008). The capital value of the College's property assets (which comprise about 53% of the total endowment) declined by £2.3 million, reflecting the results of the triennial market-to-market revaluation of all the College's commercial, residential and agricultural properties. The value of the financial assets portfolio (equities, bonds and diverse other investments) was £1.3 million lower than in the previous year. Taking into account income of £2.8 million, donations received into the endowment, and transfers from the endowment to fund operations and to increase reserves, the total return investment performance of the endowment assets was - 4.8%. Over the same twelve-month period the capital value of UK equities fell by about 15% and that of stocks in America, Europe and Japan by about 20%. The College's out-performance of the financial markets can be put down to three factors: income generation from the commercial property portfolio; an increase in the capital value of the College's agricultural holdings (up 17%); and the retention of a substantial cash position (rising to 21% of the financial assets, or 10% of the total endowment) built up during 2007 and 2008.

For most of the latest financial year the College continued to follow the investment plan formulated initially in October 2001 and reviewed at regular intervals. The policy for approximately half of the endowment portfolio that is invested in financial assets featured a core exposure to a balanced portfolio of global equities, bonds and cash under the management of JPMorgan Asset Management; and a number of diversified investments in non-core asset classes such as private equity, venture capital, hedge funds and commodities. However in June 2009 the College implemented a change in its investment management arrangements as a result of a major review of investment policy begun in late 2007. The assets have now been divided between two managers, Cerno LLP and Lord North Street Ltd, each being mandated to invest for capital growth through investment in the best-available fund vehicles in a variety of asset classes. This approach is practicable for Lincoln because the rents from our property investments provide nearly all the income we need to fund our ongoing activities, so the financial investments can be focused on the growth of the endowment over the long-term. This policy change was the result of lengthy and careful consideration, with the benefit of external advice, by the Finance Committee, the Governing Body and alumni of the College.

The College's portfolio of commercial, agricultural and (non-student) residential properties is overseen by Laws & Fiennes of Broughton, Banbury. Revaluation of the portfolio as at July 31<sup>st</sup> 2009 saw significant mark-downs in the valuations ascribed to commercial and residential properties in London and Oxford. However the value of the College's agricultural holdings continued to rise, by +17% in 2008-09 (after +35% in 2007-08). It remained the case that low yields on agricultural land failed to dampen demand, with lifestyle and scarcity considerations supporting land prices.

**LINCOLN COLLEGE**  
**Report of the Governing Body**

**Reserves**

The College's reserves amounted to £7.4 million at end-July 2009. (£7.6 million : 2008). The College considers this sum to be sufficient to provide a buffer for uninterrupted services and to support the programme of building repair and refurbishment.

**Risk management**

The major risks to which the College is exposed are reviewed regularly by the College Committees reporting to the Governing Body. Systems are in place, and are subject to ongoing improvement, to mitigate identified risks.



*Approved by the Governing Body on 21 October 2009.*

*Professor P Langford Rector*

## LINCOLN COLLEGE

### Responsibilities of the Governing Body

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

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

## **LINCOLN COLLEGE**

### **Independent auditors' Report to the Governing Body**

We have audited the financial statements of Lincoln College 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 22. 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 and connected entities, 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  
Registered Auditors  
Chartered Accountants  
Oxford

## LINCOLN COLLEGE

### 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 Lincoln College Enterprises Limited, Lincoln College Trading Limited and The Lincoln College Michael Zilkha Fund. The accounts of the affiliated student bodies (Lincoln College Junior and Middle Common Rooms and Amalgamated Clubs) 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 from specific endowments and other restricted income is included to the extent of the relevant expenditure incurred during the year. Income from general endowments (the use of which is not legally restricted to a specific purpose or activity) is included in the income and expenditure account on a receivable basis.

#### **General donations**

Unrestricted donations and benefactions are credited to general endowment on receipt.

#### **Pension costs**

Contributions to the pension schemes provided for employees of the College are charged to the income and expenditure account on the basis of the contributions payable during the year.

#### **Tangible fixed assets**

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

Freehold buildings	50 years
Building improvements	20 - 50 years
Equipment	3 - 15 years

Freehold land is not depreciated. The cost of freehold land associated with the main historic site is not included in the balance sheet, but is unlikely to be material.

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 will be 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 £1,000 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.

#### **Investments**

Listed investments and properties held as fixed asset and endowment asset investments are stated at market value. Other 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.

**LINCOLN COLLEGE**  
**Statement of Principal Accounting Policies**

**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.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates 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 year.

**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 exemption in respect of Value Added Tax.

**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.



**LINCOLN COLLEGE**  
**Consolidated Income and Expenditure Account**  
**Year ended 31 July 2009**

	Notes	2009 £000	2008 £000
<b>INCOME</b>			
Academic fees, tuition income and HEFCE Support	1	2,071	2,050
Other operating income	2	3,182	3,119
Endowment return and interest receivable	3	2,722	2,639
<b>Total income</b>		<u>7,975</u>	<u>7,808</u>
<b>EXPENDITURE</b>			
Staff costs	4	3,765	3,660
Depreciation		400	423
Other operating expenses		3,188	3,380
Contribution under Statute XV		56	8
<b>Total expenditure</b>	6	<u>7,409</u>	<u>7,471</u>
<b>Surplus for the year</b>	7	<u>566</u>	<u>337</u>

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

	Notes	2009 £000	2008 £000
<b>Reserves</b>			
Surplus for the year		566	337
<b>Endowments</b>			
Income receivable from endowment asset investments	14	2,789	2,515
Endowment return transferred to Income and Expenditure account	14	(2,709)	(2,587)
Depreciation of endowment asset investments	14	(5,651)	(1,954)
New endowments received	14	1,062	2,428
<b>Other</b>			
Net additions to deferred capital	13	(137)	1
<b>Total recognised (losses)/gains relating to the year</b>		<u>(4,080)</u>	<u>740</u>
Opening reserves and endowments		75,923	75,183
Closing reserves and endowments		<u>71,843</u>	<u>75,923</u>

**LINCOLN COLLEGE****Balance Sheets**

As at 31 July 2009

	Notes	CONSOLIDATED		COLLEGE	
		2009 £000	2008 £000	2009 £000	2008 £000
<b>Fixed assets</b>					
Tangible assets	8	14,342	14,879	14,342	14,879
Investments	9	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
		<u>14,342</u>	<u>14,879</u>	<u>14,344</u>	<u>14,881</u>
<b>Endowment asset investments</b>					
Securities and cash deposits		26,440	27,748	25,436	26,635
Land and property		29,660	32,007	29,660	32,007
	10	<u>56,100</u>	<u>59,755</u>	<u>55,096</u>	<u>58,642</u>
<b>Current assets:</b>					
Stocks		137	141	137	141
Debtors	11	546	989	546	989
Cash at bank and in hand		<u>1,465</u>	<u>885</u>	<u>1,465</u>	<u>885</u>
		2,148	2,015	2,148	2,015
<b>Creditors:</b>					
Amounts falling due within one year	12	<u>(747)</u>	<u>(726)</u>	<u>(749)</u>	<u>(728)</u>
<b>Net current assets</b>		<u>1,401</u>	<u>1,289</u>	<u>1,399</u>	<u>1,287</u>
<b>TOTAL NET ASSETS</b>		<u>71,843</u>	<u>75,923</u>	<u>70,839</u>	<u>74,810</u>
<b>Deferred capital</b>	13	8,392	8,529	8,392	8,529
<b>Endowments</b>					
Specific		16,422	18,448	15,418	17,335
General		<u>39,678</u>	<u>41,307</u>	<u>39,678</u>	<u>41,307</u>
	14	56,100	59,755	55,096	58,642
<b>Reserves</b>					
General reserves	15	7,351	7,639	7,351	7,639
<b>TOTAL FUNDS</b>		<u>71,843</u>	<u>75,923</u>	<u>70,839</u>	<u>74,810</u>

The financial statements were approved and authorised for issue by the Governing Body of Lincoln College on 21 October 2009.

P Langford  
Rector

T Knowles  
Bursar

**LINCOLN COLLEGE**  
**Consolidated Cash Flow Statement**  
**Year ended 31 July 2009**

	Note	2009 £000	2008 £000
<b>Net cash outflow from operating activities</b>	19	<u>(1,473)</u>	<u>(2,201)</u>
Returns on investments and servicing of finance			
Income from endowments received	14	2,789	2,515
Other income from investments and interest received		13	52
Net cash inflow from returns on investments and servicing of finance		<u>2,802</u>	<u>2,567</u>
Capital expenditure and financial investment			
Net (acquisition) of tangible fixed assets		(105)	(109)
Net (acquisition) of endowment asset investments		(2,628)	(310)
Endowments received		1,062	2,428
Deferred capital received		48	190
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(1,623)</u>	<u>2,199</u>
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		<u>(294)</u>	<u>2,565</u>
<b>(Decrease)/increase in cash</b>	20	<u>(294)</u>	<u>2,565</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash for the year		(294)	2,565
Change in net funds		(294)	2,565
Net funds at 1 August		3,223	658
<b>Net funds at 31 July</b>		<u>2,929</u>	<u>3,223</u>

**LINCOLN COLLEGE**  
**Notes to the Financial Statements**  
**Year ended 31 July 2009**

	2009 £000	2008 £000
<b>1 ACADEMIC FEES, TUITION INCOME AND HEFCE SUPPORT</b>		
Tuition fees from UK and European Union students	1,155	1,516
Tuition fees from overseas students	437	319
Other fees	59	42
Other tuition income and HEFCE Support	420	173
	<u>2,071</u>	<u>2,050</u>

The above analysis includes support from the University from HEFCE funds amounting to £1,315,000 (2008: £1,245,000)

	£000	£000
<b>2 OTHER OPERATING INCOME</b>		
Residential income from college members	1,934	1,727
Conference and function income	539	652
Grants and donations	407	431
Release of deferred capital contributions (note 13)	185	189
Other income	117	120
	<u>3,182</u>	<u>3,119</u>

	£000	£000
<b>3 ENDOWMENT RETURN AND INTEREST RECEIVABLE</b>		
Transferred from specific endowments (note 14)	577	544
Transferred from general endowments (note 14)	2,132	2,043
Other interest receivable	13	52
	<u>2,722</u>	<u>2,639</u>

	£000	£000
<b>4 STAFF COSTS</b>		
Gross pay	3,132	3,058
Social Security costs	224	212
Other pension costs	391	355
Other benefits	18	35
	<u>3,765</u>	<u>3,660</u>

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 the College.

## 5 PENSION SCHEMES

### 1. The pension schemes:

The College participates in two principal pension schemes for its staff - the Universities Superannuation Scheme ('USS') and the University of Oxford Staff Pension Scheme ('OSPS'). Both 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 Second 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 and liabilities of each scheme on a consistent and reasonable basis. Therefore, in accordance with 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 schemes in respect of the accounting period.

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.

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

### 2. Actuarial valuations

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 valuation:	31/03/08 <sup>a</sup>	31/07/07
Date valuation results published:	-55900%	09/10/08
Value of past service liabilities:	£28,135m	£325m
Value of assets:	£28,842m	£282m
Funding surplus/(deficit):	£707m <sup>b</sup>	(£43m) <sup>c</sup>
Principal assumptions:		
Rate of interest (past service liabilities)	4.4% pa	-
Rate of interest (future service liabilities)	6.1% pa	-
Rate of interest (periods up to retirement)	-	6.9% pa
Rate of interest (periods after retirement)	-	4.9% pa
Rate of increase in salaries	4.3% pa	4.8% pa
Rate of increase in pensions	3.3% pa	3.3% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	23 yrs	22 yrs
Assumed life expectancy at age 65 (females)	25 yrs	24 yrs
Funding Ratios:		
Technical provisions basis:	103% <sup>d</sup>	87%
Statutory Pension Protection Fund basis:	107%	95%
"Buy-out" basis:	79% <sup>d</sup>	71%
Estimated FRS17 basis:	104% <sup>d</sup>	89%
Recommended Employer's contribution rate (as % of pensionable salaries):	16% <sup>e</sup>	21.5% <sup>c</sup>
Effective date of next valuation:	31/03/11 <sup>a</sup>	31/07/10

#### Notes:

- a) 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.
- b) 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.

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- c) 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.
- d) 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%.
- e) The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries but the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

**3. 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

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

	2009 £000	2008 £000
University Superannuation Scheme	146	135
University of Oxford Staff Pension Scheme	238	213
Other schemes	7	7
	<u>391</u>	<u>355</u>

**6 ANALYSIS OF EXPENDITURE**

	Staff costs £000	Depreciation £000	Other operating expenses £000	2009 Total £000	2008 Total £000
Academic	1,440	2	765	2,207	2,300
Residences, catering and conferences	1,411	18	941	2,370	2,201
Premises	263	324	678	1,265	1,844
College administration	426	21	190	637	546
Endowment management	16	0	501	517	227
Fundraising	191	1	82	274	247
Other	18	34	31	83	98
	<u>3,765</u>	<u>400</u>	<u>3,188</u>	<u>7,353</u>	<u>7,463</u>

Contribution under Statute XV 56 8

**Total expenditure** 7,409 7,471

Other operating expenses include auditors' remuneration:  
in respect of the audit of these financial statements 15 15

The above analysis includes expenditure out of support from the University from HEFCE funds amounting to £1,315,000 (2008: £1,245,000)

**LINCOLN COLLEGE**  
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**7 SURPLUS FOR THE YEAR**

	2009 £000	2008 £000
College's surplus for the year	566	337
Retained surplus within subsidiary undertaking	0	0
	<u>566</u>	<u>337</u>

**8 TANGIBLE FIXED ASSETS**

CONSOLIDATED

	Land & buildings		
	Freehold £000	Equipment £000	Total £000
<b>Cost</b>			
At start of year	16,335	740	17,075
Additions	51	54	105
Transfer to endowment asset investments (note 10)	(386)	0	(386)
	<u>16,000</u>	<u>794</u>	<u>16,794</u>
At end of year			
<b>Depreciation</b>			
At start of year	1,876	320	2,196
Charge for period	324	76	400
Transfer to endowment asset investments (note 10)	(144)	0	(144)
	<u>2,056</u>	<u>396</u>	<u>2,452</u>
At end of year			
<b>Net book value</b>			
At end of year	<u>13,944</u>	<u>398</u>	<u>14,342</u>
At start of year	<u>14,459</u>	<u>420</u>	<u>14,879</u>

COLLEGE

	Land & buildings		
	Freehold £000	Equipment £000	Total £000
<b>Cost</b>			
At start of year	16,335	740	17,075
Additions	51	54	105
Transfer to endowment asset investments (note 10)	(386)	0	(386)
	<u>16,000</u>	<u>794</u>	<u>16,794</u>
At end of year			
<b>Depreciation</b>			
At start of year	1,876	320	2,196
Charge for period	324	76	400
Transfer to endowment asset investments (note 10)	(144)	0	(144)
	<u>2,056</u>	<u>396</u>	<u>2,452</u>
At end of year			
<b>Net book value</b>			
At end of year	<u>13,944</u>	<u>398</u>	<u>14,342</u>
At start of year	<u>14,459</u>	<u>420</u>	<u>14,879</u>

**LINCOLN COLLEGE**  
**Notes to the Financial Statements**  
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**9 FIXED ASSET INVESTMENTS**

	CONSOLIDATED £000		COLLEGE £000	
At start of year	0		2	
Additions	0		0	
At start and end of year	0		2	
	CONSOLIDATED		COLLEGE	
	2009	2008	2009	2008
	£000	£000	£000	£000
Investments stated at cost				
Subsidiary undertakings	0	0	2	2

The College owns 100% of the issued share capital of Lincoln College Enterprises Limited and Lincoln College Trading Limited, both of which are incorporated in England and Wales. The principal business activity of Lincoln College Enterprises Limited is the management of construction contracts on behalf of the College. Lincoln College Trading Limited has yet to commence trading as at 31 July 2009.

**10 ENDOWMENT ASSET INVESTMENTS**

	CONSOLIDATED			COLLEGE		
	Securities & cash £000	Land & property £000	Total £000	Securities & cash £000	Land & property £000	Total £000
<b>At market value</b>						
At start of year	27,748	32,007	59,755	26,635	32,007	58,642
Purchases at cost	19,272	0	19,272	19,254	0	19,254
Transfer from tangible fixed assets (note 8)		242	242		242	242
Sales proceeds	(16,644)	0	(16,644)	(16,644)	0	(16,644)
Decrease in cash held by fund manager	(874)		(874)	(874)		(874)
Revaluation losses	(3,062)	(2,589)	(5,651)	(2,935)	(2,589)	(5,524)
At end of year	<u>26,440</u>	<u>29,660</u>	<u>56,100</u>	<u>25,436</u>	<u>29,660</u>	<u>55,096</u>
Analysed as						
Equities (listed)	15,718			14,714		
Fixed interest securities (including cash funds)	7,273			7,273		
Unlisted securities	1,985			1,985		
Cash	1,464			1,464		
	<u>26,440</u>			<u>25,436</u>		
Historical cost at end of year	<u>25,464</u>			<u>24,460</u>		

Estates land and property valuations as at 31 July 2009 have been made by Laws & Fiennes, the College land agent, the basis of valuation being market. These valuations incorporate independent triennial valuations by firms of Chartered Surveyors which were carried out as at 31 July 2009.



**LINCOLN COLLEGE**  
**Notes to the Financial Statements**  
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**11 DEBTORS**

	CONSOLIDATED		COLLEGE	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts falling due within one year				
Trade debtors	318	479	318	479
Amounts owed by College members	39	228	39	228
Prepayments and accrued income	45	114	45	114
Amounts falling due after more than one year				
Loans	144	168	144	168
	<u>546</u>	<u>989</u>	<u>546</u>	<u>989</u>

**12 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR**

	CONSOLIDATED		COLLEGE	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade creditors	213	197	213	197
College Contribution	60	60	60	60
Amounts owed to group undertakings	0	0	5	3
Other taxation and social security	24	23	24	23
Accruals and deferred income	255	258	252	257
Other creditors	195	188	195	188
	<u>747</u>	<u>726</u>	<u>749</u>	<u>728</u>

**13 DEFERRED CAPITAL**

	CONSOLIDATED	COLLEGE
	£000	£000
At start of year	8,529	8,529
New capital	48	48
Released to income and expenditure account (note 2)	(185)	(185)
<b>At end of year</b>	<u>8,392</u>	<u>8,392</u>

The balance on deferred capital represents donations received to finance the acquisition of tangible fixed assets. Amounts are released to the income and expenditure account over the lives of the related assets on the same basis as the charge for depreciation.

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**14 ENDOWMENTS**

	CONSOLIDATED			COLLEGE		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
At start of year	18,448	41,307	59,755	17,335	41,307	58,642
Endowments received	736	326	1,062	736	326	1,062
Depreciation of endowment investments	(2,842)	(2,809)	(5,651)	(2,715)	(2,809)	(5,524)
Income receivable from endowment asset investments	657	2,132	2,789	621	2,132	2,753
Transferred to income and expenditure account (note 3)	(577)	(2,132)	(2,709)	(559)	(2,132)	(2,691)
Transfer from reserves (note 15)		854	854		854	854
<b>At end of year</b>	<b>16,422</b>	<b>39,678</b>	<b>56,100</b>	<b>15,418</b>	<b>39,678</b>	<b>55,096</b>

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.

Specific endowments (consolidated and College) include funds valued at £54,000 (2008 £59,000) which provide income for purposes that lie outside the objects of the College. Income arising amounted to £2,000 (2008 £2,000).

**15 RESERVES**

**GENERAL RESERVES**

	CONSOLIDATED £000	COLLEGE £000
At start of year	7,639	7,639
Surplus from income and expenditure account	566	566
Transfer (to) endowment (note 14)	(854)	(854)
<b>At end of year</b>	<b>7,351</b>	<b>7,351</b>

	CONSOLIDATED		COLLEGE	
	2009 £000	2008 £000	2009 £000	2008 £000
Representing:				
Undepreciated cost of tangible fixed assets financed out of general reserve	5,950	6,350	5,950	6,350
College general reserve	1,401	1,289	1,401	1,289
	<b>7,351</b>	<b>7,639</b>	<b>7,351</b>	<b>7,639</b>

**LINCOLN COLLEGE**  
**Notes to the Financial Statements**  
**Year ended 31 July 2009**

**16 CAPITAL COMMITMENTS**  
**CONSOLIDATED AND COLLEGE**

	2009 £000	2008 £000
Commitments contracted at 31 July	<u>0</u>	<u>0</u>

**17 FINANCIAL COMMITMENTS**

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

**18 POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events which require disclosure.

**19 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES**

	2009 £000	2008 £000
Surplus for the year	566	337
Depreciation	400	423
Endowment income and interest receivable	(2,722)	(2,639)
Release of deferred capital contributions	(185)	(189)
Decrease/(increase) in stocks	4	(2)
Decrease/(increase) in debtors	443	(139)
Increase in creditors	21	8
	<u>(1,473)</u>	<u>(2,201)</u>

**20 ANALYSIS OF CHANGES IN NET FUNDS**

	2009 £000	Changes £000	2008 £000
Cash at bank and in hand	1,465	580	885
Endowment assets cash	1,464	(874)	2,338
	<u>2,929</u>	<u>(294)</u>	<u>3,223</u>

**21 CONTINGENT LIABILITIES**

There are no material contingent liabilities at the balance sheet date (2008 nil).

**22 RELATED PARTY TRANSACTIONS**

There are no material related party transactions that are required to be disclosed under FRS 8.