

**Worcester College
Oxford**

**Report and Annual Accounts
for the Year Ending
31 July 2009**

Worcester College, Oxford

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College Information

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Worcester College, Oxford
College Information

Fellowship

Provost and Bursar

Mr Richard Smethurst

There are 48 other Governing Body Fellows whose names may be obtained from the Bursar.

Address:

Oxford

OX1 2HB

Bankers

National Westminster Bank plc
32 Cornmarket Street
Oxford
OX1 3ES

Royal Bank of Scotland plc
32 St Giles
Oxford
OX1 3ND

Wachovia Bank
National Association
NC8502
PO Box 563966
Charlotte
NC 28262-3966
USA

Investment Advisors

Cambridge Associates Ltd
105 Wigmore Street
London
W1U 1QY

Auditors

Everett & Son
35 Paul Street
London
EC2A 4UQ

Worcester College, Oxford

Report of the Governing Body

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

Status

Worcester College is an eleemosynary chartered charitable corporation aggregate. It was founded through a legacy of Sir Thomas Cookes Bt. under a Royal Charter of Queen Anne dated 1714. The corporation comprises the Provost and Fellows. The College is an exempt charity under s3 (5a) Charities Act 1993 (as listed in Schedule 2(b) to that Act).

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.

Governance

The Governing Body of the College comprises the Provost 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 Lord Chancellor. The College Statutes are as made from time to time by order of Her Majesty in Council in accordance with the Royal Charter of 1714, 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 Provost and is advised by a range of committees which include the Finance Committee and the Investments Sub-committee. The Governing Body has embarked on the process of revising the College Statutes, which were last made in 1967, more accurately to reflect present circumstances, to provide more effective procedures and to comply with the guidance of the Charity Commission, with which Oxford and Cambridge Colleges will be required to register during 2010.

Scope of financial statements

The financial statements consolidate the accounts of Worcester College and associated charitable entities of which the College is the sole beneficiary, the Amphlett of Clent Scholarships Trust Fund, the Wilkinson Trust, and the Worcester College Society. The Worcester College Society is a registered UK charity engaged in raising and providing funds for educational and related facilities at Worcester College.

Review of operations and finance

Total income fell by 2.8% compared with 2007/08. Whilst academic fees and tuition income rose by 3% and endowment return fell by less than 2%, other operating income fell by almost £250k, or 7.5%. This was despite the first full year's return from the extensive building programme of the previous five years, which showed an increase of £470k, or 26%. This was swamped by a fall of £732k in grants and donations. A major reduction in this annual flow - of the order of 25% - had been anticipated when budgets were set in the summer of 2008 as the generosity of Old Members in recent years was confronted with the recession. But the harsh realities of the credit crunch in fact caused a reduction of 54%. Though understandable, this was very disappointing, serving starkly to underline last year's remarks in the Report of the Governing Body on the Accounts about the importance to the College of annual donations from Old Members.

That they remain strong supporters of the College is evidenced by the notification during the year of important legacy provisions. Even more encouraging was the response to a telephone campaign in March at what was probably the lowest point of confidence in markets. Nevertheless, in the absence of a large increase in tuition fees this College, with its low endowment, will always be vulnerable to sudden changes in donations. Increases in tuition fees may come about as a result of the deliberations of the national committee established under Lord Browne of Madingley, but it is not expected to report until the autumn of 2010 and any change is unlikely to be effective until a year or so after that. In the meantime the College is continuing to work hard on a strategy to produce a major increase in its endowment: developments during the year were encouraging, but the legal processes have recently slowed progress.

Worcester College, Oxford

Report of the Governing Body

On the expenditure side there have been substantial increases in wages and salaries arising from the nationally-negotiated pay 'spine', which the College has adopted for all its staff. OSPS contributions increased to 21.5%. Depreciation of buildings has increased by £168k following the completion of the building programme, but interest payable has reduced by £55k as base rates have fallen during the year. Overall, the operating deficit increased to £1,268k from £240k.

Realised losses on investments were £111k (2007/08 gains £157k) reflecting overall falls in investment values: the value of the portfolio fell by -9.4% against a benchmark of -10.4%. Sales were necessary to carry out rebalancing of the portfolio on the recommendation of our professional advisers. General reserves decreased by £1,505k: they now amount to just over one year's total expenditure.

Investment Performance

During the year the Investment sub-committee has continued to work within long term portfolio allocation policies agreed with and monitored by Cambridge Associates and there has been a move from fixed income to hedge funds. Income generated on the endowment account and investment values reduced over the year.

Reserves

The balance on reserves at the year end amounted to £8.2m (note 19).

Risk Management

Following the comprehensive assessment of the risks facing the College undertaken during 2003/04, the various College Officers, Managers and Committees regularly report on action taken. The review stressed the importance of the College's computer systems in maintaining business continuity, and during the year permission was given for the IT Manager's department to be further strengthened. Last year's amended procedures are giving more rapid response to problems. The Garden Committee has been active in managing the risks associated with maintaining public access to the landscape of a listed garden. Health and Safety measures are reviewed annually by external consultants, and staff training provided as recommended. The College's Compliance Committee has reallocated responsibility for overseeing a number of areas.

Approved by the Governing Body on 18th November 2009

R G Smethurst - Provost

Worcester College, Oxford

Responsibilities of the Governing Body

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

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

In 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.

Worcester College, Oxford

Audit Report

We have audited the financial statements of Worcester 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 28. 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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.

Worcester College, Oxford

Audit Report

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 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 deficit for the year then ended and 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.

b) 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.

Everett & Son
Statutory Auditors
Chartered Accountants
London
18th November 2009

Worcester College, Oxford
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 both applicable accounting standards (up to and including Financial Reporting Standard 29) and, to the extent appropriate, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions ("the SORP").

The financial statements do not consolidate the accounts of the College's wholly owned subsidiary undertaking, Worcester College Enterprises Limited, with those of the College because that Company was dormant throughout the year ended 31st July 2009.

The accounts of the affiliated student bodies, Worcester College Junior Common Room, Middle Common Room and Clubs have also 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 calculated according to a sustainable spend rate (currently 4.5%) expressed as a percentage of appropriately averaged values.

General donations

Unrestricted donations and benefactions are credited to income and expenditure on a receivable basis.

Pension costs

Contributions to the pension schemes provided for employees of the College are charged to the income and expenditure account over the period during which the College benefits from the employees' services.

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 |
| Refurbishment costs | 50 years |
| Equipment | 3 - 10 years |

Freehold land is not depreciated.

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 £2,000 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.

Worcester College, Oxford
Statement of Principal Accounting Policies

Investments

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

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

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 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.

Worcester College, Oxford
Consolidated Income and Expenditure Account
Year ended 31 July 2009

| | Notes | 2009 £000's | 2008 £000's |
|--|-------|----------------|----------------|
| INCOME | | | |
| Academic fees and tuition income | 1 | 2,485 | 2,413 |
| Research grants and contracts | 2 | - | - |
| Other operating income | 3 | 3,037 | 3,284 |
| Endowment return and interest receivable | 4 | 1,381 | 1,407 |
| Total income | | <u>6,903</u> | <u>7,104</u> |
| EXPENDITURE | | | |
| Staff costs | 5 | 5,074 | 4,589 |
| Depreciation | | 588 | 406 |
| Other operating expenses | | 2,120 | 1,905 |
| Interest payable | | 389 | 444 |
| Contribution under Statute XV | | - | - |
| Total expenditure | 7 | <u>8,171</u> | <u>7,344</u> |
| Surplus (deficit) for the year on continuing operations before taxation and disposal of fixed assets | | (1,268) | (240) |
| Surplus (deficit) on disposal of fixed assets | | - | - |
| Taxation | 8 | - | - |
| Surplus / (Deficit) for the year after taxation | 9 | <u>(1,268)</u> | <u>(240)</u> |

| Statement of Historical Cost Surpluses and Deficits Year ended 31 July 2009 | Notes | 2009 £000's | 2008 £000's |
|--|-------|----------------|----------------|
| (Deficit) / Surplus on continuing operations before taxation | | (1,268) | (240) |
| Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount | | | |
| Realisation of investment revaluation gains of previous years | 19 | (111) | 157 |
| Historical cost surplus (deficit) for the period before taxation | | <u>(1,379)</u> | <u>(83)</u> |
| Historical cost surplus (deficit) for the period after taxation | | <u>(1,379)</u> | <u>(83)</u> |

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

| | Notes | 2009 £000's | 2008 £000's |
|---|-------|----------------|----------------|
| Reserves | | | |
| Surplus / (Deficit) for the year | | (1,268) | (240) |
| Realised surplus on College investments | 19 | (111) | 157 |
| Appreciation / (depreciation) of College asset investments | 11 | (868) | (344) |
| Net Increase(decrease) in designated reserves | 19 | (186) | (204) |
| Transfer from Endowment | 19 | (170) | 395 |
| Transfer from Revaluation reserve | 19 | 111 | (157) |
| Endowments | | | |
| New endowments received | 18 | 105 | 115 |
| Appreciation (depreciation) of endowment asset investments | 18 | (765) | (769) |
| Income from Endowment Asset Investments | 18 | 475 | 575 |
| Transfer to income & expenditure account from general endowment | 18 | (1,167) | (1,229) |
| Transfer to Reserves | 18 | 170 | (395) |
| Transfer to Deferred Capital | 18 | - | - |
| Other | | | |
| Net additions to deferred capital | 17 | (45) | (46) |
| Total recognised gains (losses) relating to the year | | <u>(3,719)</u> | <u>(2,142)</u> |
| Opening reserves and endowments | | 31,712 | 33,854 |
| Closing reserves and endowments | | <u>27,993</u> | <u>31,712</u> |

Worcester College, Oxford
Balance Sheets
As at 31 July 2009

| | Notes | CONSOLIDATED | | COLLEGE | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| Fixed assets | | | | | |
| Tangible assets | 10 | 23,175 | 23,104 | 23,175 | 23,104 |
| Investments | 11 | 6,127 | 7,460 | 6,127 | 7,460 |
| | | <u>29,302</u> | <u>30,564</u> | <u>29,302</u> | <u>30,564</u> |
| Endowment asset investments | | | | | |
| Securities and cash deposits | | 8,968 | 10,249 | 7,054 | 8,070 |
| Land and property | | 7,300 | 7,201 | 7,300 | 7,201 |
| | 12 | <u>16,268</u> | <u>17,450</u> | <u>14,354</u> | <u>15,271</u> |
| Current assets: | | | | | |
| Stocks | | 108 | 111 | 108 | 111 |
| Debtors | 13 | 832 | 1,446 | 832 | 1,446 |
| Short term investments | | - | - | - | - |
| Cash at bank and in hand | | 65 | (89) | 29 | (116) |
| | | <u>1,005</u> | <u>1,468</u> | <u>969</u> | <u>1,441</u> |
| Creditors: | | | | | |
| Amounts falling due within one year | 14 | (3,582) | (3,664) | (3,572) | (3,655) |
| Net current assets (liabilities) | | <u>(2,577)</u> | <u>(2,196)</u> | <u>(2,603)</u> | <u>(2,215)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 42,993 | 45,818 | 41,053 | 43,620 |
| Creditors: | | | | | |
| Amounts falling due after more than one year | 15 | (15,000) | (14,106) | (15,000) | (14,106) |
| Provision for liabilities and charges | 16 | - | - | - | - |
| TOTAL NET ASSETS | | <u>27,993</u> | <u>31,712</u> | <u>26,053</u> | <u>29,514</u> |
| Deferred capital | 17 | 2,057 | 2,102 | 2,057 | 2,102 |
| Endowments | | | | | |
| Specific | | 10,528 | 11,280 | 8,614 | 9,101 |
| General | | 5,740 | 6,170 | 5,740 | 6,170 |
| | 18 | <u>16,268</u> | <u>17,450</u> | <u>14,354</u> | <u>15,271</u> |
| Reserves | | | | | |
| Designated reserves | | 634 | 864 | 634 | 864 |
| Revaluation Reserve | | 848 | 1,605 | 848 | 1,605 |
| General reserves | | 8,186 | 9,691 | 8,160 | 9,672 |
| | 19 | <u>9,668</u> | <u>12,160</u> | <u>9,642</u> | <u>12,141</u> |
| TOTAL FUNDS | | <u>27,993</u> | <u>31,712</u> | <u>26,053</u> | <u>29,514</u> |

The financial statements were approved by the Governing Body of Worcester College on 18th November 2009

R G Smethurst

Worcester College, Oxford
Consolidated Cashflow Statement
Year ended 31 July 2009

| | Note | 2009 £000's | 2008 £000's |
|---|------|----------------|----------------|
| Net cash inflow (outflow) from operating activities | 25 | <u>(2,859)</u> | <u>87</u> |
| Returns on investments and servicing of finance | | | |
| Income from endowments received | 18 | 475 | 575 |
| Other income from investments and interest received | 4 | <u>214</u> | <u>178</u> |
| | | 689 | 753 |
| Interest paid | 7 | (389) | (444) |
| Net cash inflow from returns on investments and servicing of finance | | <u>300</u> | <u>309</u> |
| Capital expenditure and financial investment | | | |
| Net realisation/(acquisition) of tangible fixed assets | | (659) | (5,562) |
| Net realisation/(acquisition) of endowment asset investments | 12 | 969 | (586) |
| Endowments received | 18 | 105 | 115 |
| Deferred capital received | 17 | - | - |
| Other net capital movements | | - | - |
| Net cash inflow (outflow) from capital expenditure and financial investment | | <u>415</u> | <u>(6,033)</u> |
| Net cash inflow before use of liquid resources and financing | | (2,144) | (5,636) |
| Management of liquid resources | 26 | 465 | (405) |
| Financing | 27 | 894 | 4,912 |
| Increase/(decrease) in cash | 28 | <u>(785)</u> | <u>(1,129)</u> |
| Reconciliation of net cash flow to movement in net funds | | | |
| Increase/(decrease) in cash for the year | | (785) | (1,129) |
| Increase/(decrease) in liquid resources and current asset investments | | | |
| Increase/(decrease) in debt | | | |
| Change in net funds | | <u>(785)</u> | <u>(1,129)</u> |
| Net funds at 1 August | | 2,343 | 3,472 |
| Net funds at 31 July | | <u>1,558</u> | <u>2,343</u> |

Worcester College, Oxford
Notes to the Financial Statements
Year ended 31 July 2009

| | 2009 £000's | 2008 £000's |
|--|----------------|----------------|
| 1 ACADEMIC FEES AND TUITION INCOME | | |
| Tuition fees from UK and European Union students | 1,417 | 1,837 |
| Tuition fees from overseas students | 276 | 158 |
| Other fees | 231 | 278 |
| Other tuition income and HEFCE support | 561 | 140 |
| | <u>2,485</u> | <u>2,413</u> |
| The above analysis includes support from the University from HEFCE funds amounting to £1,772k (2008: £1,695k). | | |
| 2 RESEARCH GRANTS AND CONTRACTS | £000's | £000's |
| Research councils | - | - |
| UK based charities | - | - |
| European commission | - | - |
| Other grants and contracts | - | - |
| | <u>-</u> | <u>-</u> |
| 3 OTHER OPERATING INCOME | £000's | £000's |
| Residential income from college members | 1,472 | 1,195 |
| Conference and function income | 802 | 609 |
| Grants and donations | 615 | 1,347 |
| Release of deferred capital contributions | 45 | 46 |
| Other income | 103 | 87 |
| | <u>3,037</u> | <u>3,284</u> |
| 4 ENDOWMENT RETURN AND INTEREST RECEIVABLE | £000's | £000's |
| Transferred from specific endowments (note 18) | 905 | 958 |
| Transferred from general endowments (note 18) | 262 | 271 |
| Other investment income | - | - |
| Other interest receivable | 214 | 178 |
| | <u>1,381</u> | <u>1,407</u> |
| 5 STAFF COSTS | £000's | £000's |
| Gross pay | 4,150 | 3,803 |
| Social Security costs | 292 | 269 |
| Other pension costs | 548 | 436 |
| Other benefits | 84 | 81 |
| | <u>5,074</u> | <u>4,589</u> |

6A PRINCIPAL PENSION SCHEMES

1. The Principal 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.

The College has made available a Stakeholder Scheme for individual employees, but does not contribute to that scheme.

Worcester College, Oxford
Notes to the Financial Statements
Year ended 31 July 2009

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: | 31/03/2008 ^a | 31/07/2007 |
| Date valuation results published: | 04/02/2009 | 09/10/2008 |
| Value of past service liabilities: | £28,135m | £322m |
| Value of assets: | £28,842m | £279m |
| Funding Surplus/(Deficit): | £707m ^b | (£43m) ^c |
| 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: | | |
| Scheme valuation 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's contribution rate (as % of pensionable salaries): | 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% 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.

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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 |

4. Pension charge for the year:

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

| Scheme | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| Universities Superannuation Scheme | £196 | £183 |
| University of Oxford Staff Pension Scheme | £340 | £242 |
| NHS pension Scheme | | |
| Stakeholder pension scheme | £5 | £3 |
| Other Schemes - contributions | £7 | £8 |
| Supplementation payments ^f | | |
| Total: | £548 | £436 |

Notes

f. The College continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of FSSU and EPS.

6B OTHER PENSION SCHEMES

1. Church of England Funded Pensions Scheme

Worcester College also participates in the Church of England Funded Pensions Scheme and employs 1 member of the Scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but Worcester College is unable to identify its share of the underlying assets and liabilities – each employer in the scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31st December 2006. This revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the following assumptions:

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- An investment strategy of: a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years; and the balance of the assets in equities;
- Investment returns of 4.25% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends 4.6% pa; and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires Worcester College to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

An annual update of the Scheme's funding position as at 31 December 2008 revealed that the deficit had increased to £352m. As a result, Worcester College's contribution rate will increase from 39.7% to 45% of pensionable stipends with effect from 1st January 2010.

2. Other Schemes

The College also has a small number of staff in other pension schemes, including the now closed Employees Pension Scheme ('EPS'). EPS was replaced by OSPS in 1978. In addition, the College is also contributing to the personal pension arrangements of certain staff who were ineligible to join USS or OSPS.

7 ANALYSIS OF EXPENDITURE

| | Staff costs £000's | Depreciation £000's | Other operating expenses £000's | 2009 Total £000's | 2008 Total £000's |
|--|-----------------------|------------------------|--|--------------------------|--------------------------|
| Academic | 2,271 | - | 495 | 2,766 | 2,584 |
| Residences, catering and conferences | 1,608 | - | 970 | 2,578 | 2,234 |
| Premises | 549 | 497 | 308 | 1,354 | 1,049 |
| College administration | 428 | 91 | 113 | 632 | 632 |
| Endowment management | - | - | 105 | 105 | 114 |
| Fundraising | 145 | - | 58 | 203 | 167 |
| Other | 73 | - | 71 | 144 | 120 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 5,074 | 588 | 2,120 | 7,782 | 6,900 |
| Interest payable | | | | 389 | 444 |
| Contribution under Statute XV | | | | - | - |
| Total expenditure | | | | <hr/> 8,171 <hr/> | <hr/> 7,344 <hr/> |
| | | | | £000's | £000's |
| Interest payable relates to - | | | | | |
| Bank loans, overdrafts and other loans: | | | | | |
| Repayable within 5 years | | | | 389 | 444 |
| Repayable wholly or partly in more than 5 years | | | | | |
| | | | | <hr/> 389 <hr/> | <hr/> 444 <hr/> |
| Other operating expenses include auditors' remuneration: | | | | | |
| in respect of the audit of these financial statements | | | | 9 | 9 |
| in respect of other services | | | | 11 | 17 |
| | | | | <hr/> 11 <hr/> | <hr/> 17 <hr/> |

Worcester College, Oxford
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| | 2009 £000's | 2008 £000's |
|--|-------------------|-----------------|
| 8 TAXATION | | |
| United Kingdom corporation tax at 0% | - | - |
| 9 SURPLUS / (DEFICIT) FOR THE YEAR | | |
| College's surplus / (deficit) for the year | £000's (1,268) | £000's (240) |
| Surplus generated by the subsidiary undertaking(s) | | |
| Realisation of investment revaluation gains (losses) of previous years | (111) | 157 |
| | <u>(1,379)</u> | <u>(83)</u> |

10 TANGIBLE FIXED ASSETS

CONSOLIDATED AND COLLEGE

| | Land & buildings | | | |
|-----------------------|--------------------|-----------------------------|---------------------|-----------------|
| | Freehold £000's | Long leasehold £000's | Equipment £000's | Total £000's |
| Cost | | | | |
| At start of year | 25,136 | | 1,005 | 26,141 |
| Additions | 546 | | 113 | 659 |
| At end of year | <u>25,682</u> | <u>-</u> | <u>1,118</u> | <u>26,800</u> |
| Depreciation | | | | |
| At start of year | 2,299 | | 738 | 3,037 |
| Charge for period | 497 | | 91 | 588 |
| At end of year | <u>2,796</u> | <u>-</u> | <u>829</u> | <u>3,625</u> |
| Net book value | | | | |
| At end of year | <u>22,886</u> | | <u>289</u> | <u>23,175</u> |
| At start of year | <u>22,837</u> | | <u>267</u> | <u>23,104</u> |

11 FIXED ASSET INVESTMENTS

| | CONSOLIDATED £000's | COLLEGE £000's |
|----------------------------|------------------------|-------------------|
| At start of year | 7,460 | 7,460 |
| Net investments | (465) | (465) |
| Revaluation gains (losses) | (868) | (868) |
| At end of year | <u>6,127</u> | <u>6,127</u> |

| | CONSOLIDATED | | COLLEGE | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| Investments stated at market value | | | | |
| Properties | | | | |
| Listed securities | 6,127 | 7,460 | 6,127 | 7,460 |
| Investments stated at cost | | | | |
| Subsidiary undertakings | | | | |
| Total at end of year | <u>6,127</u> | <u>7,460</u> | <u>6,127</u> | <u>7,460</u> |
| The original cost of investments | <u>7,248</u> | <u>7,401</u> | <u>7,248</u> | <u>7,401</u> |

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2009 2008

11 FIXED ASSET INVESTMENTS (continued)

The College owns 100% of the issued share capital of Worcester College Enterprises Limited, a company incorporated in England and Wales. The company was dormant throughout the year.

12 ENDOWMENT ASSET INVESTMENTS

| | CONSOLIDATED | | | COLLEGE | | |
|--|--------------------------------|------------------------------|-----------------|--------------------------------|------------------------------|-----------------|
| | Securities & cash £000's | Land & property £000's | Total £000's | Securities & cash £000's | Land & property £000's | Total £000's |
| At market value | | | | | | |
| At start of year | 10,249 | 7,201 | 17,450 | 8,070 | 7,201 | 15,271 |
| Purchases at cost | 2,295 | 13 | 2,308 | 897 | 13 | 910 |
| Transfers from Fixed Assets | - | - | - | - | - | - |
| Sales proceeds | (2,842) | (435) | (3,277) | (1,469) | (435) | (1,904) |
| Transfers to Fixed Assets | - | - | - | - | - | - |
| Increase in cash held by fund manager | (93) | 435 | 342 | (29) | 435 | 406 |
| Revaluation gains (losses) | (641) | 86 | (555) | (415) | 86 | (329) |
| At end of year | <u>8,968</u> | <u>7,300</u> | <u>16,268</u> | <u>7,054</u> | <u>7,300</u> | <u>14,354</u> |
| Analysed as | | | | | | |
| Fixed interest stocks (listed) | 1,358 | | | 855 | | |
| Equities (listed) | 4,569 | | | 3,227 | | |
| Unlisted securities | 702 | | | 702 | | |
| Cash | 2,339 | | | 2,270 | | |
| | <u>8,968</u> | | | <u>7,054</u> | | |
| Historical cost at end of year | <u>9,212</u> | | | <u>7,372</u> | | |

Valuations of the Estates land and property as at 31 July are prepared every year by an independent firm of Chartered Surveyors, the basis of valuation being market value.

13 DEBTORS

| | CONSOLIDATED | | COLLEGE | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| Amounts falling due within one year | | | | |
| Trade debtors | - | - | - | - |
| Amounts owed by College members | 199 | 186 | 199 | 186 |
| Amounts owed by group undertakings | 8 | 9 | 8 | 9 |
| Loans | 196 | 8 | 196 | 8 |
| Prepayments and accrued income | 429 | 1,243 | 429 | 1,243 |
| | <u>832</u> | <u>1,446</u> | <u>832</u> | <u>1,446</u> |

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Notes to the Financial Statements
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14 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

| | CONSOLIDATED | | COLLEGE | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| Bank loans and overdrafts | 1,281 | - | 1,281 | - |
| Obligations under finance leases | | | | |
| Unsecured loans | - | - | - | - |
| Trade creditors | 156 | 205 | 146 | 196 |
| College Contribution | | | | |
| Corporation tax | | | | |
| Other taxation and social security | 112 | 95 | 112 | 95 |
| Amounts owed to group undertakings | - | - | - | - |
| Accruals and deferred income | 193 | 189 | 193 | 189 |
| Other creditors | 1,840 | 3,175 | 1,840 | 3,175 |
| | <u>3,582</u> | <u>3,664</u> | <u>3,572</u> | <u>3,655</u> |

15 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

| | £000's | £000's | £000's | £000's |
|----------------------------------|---------------|---------------|---------------|---------------|
| Bank loans | 15,000 | 14,106 | 15,000 | 14,106 |
| Obligations under finance leases | | | | |
| Other creditors | | | | |
| | <u>15,000</u> | <u>14,106</u> | <u>15,000</u> | <u>14,106</u> |

16 PROVISIONS FOR LIABILITIES AND CHARGES

CONSOLIDATED AND COLLEGE

| | 2009 £000's | 2008 £000's |
|-----------------------|----------------|----------------|
| At end of year | <u>0</u> | <u>0</u> |

17 DEFERRED CAPITAL

| | CONSOLIDATED | COLLEGE |
|--|--------------|--------------|
| | £000's | £000's |
| At start of year | 2,102 | 2,102 |
| Transferred from General endowment | - | - |
| Released to income and expenditure account | (45) | (45) |
| At end of year | <u>2,057</u> | <u>2,057</u> |

The balance on deferred capital represents donations received to finance the purchase 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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Year ended 31 July 2009

18 ENDOWMENTS

| | CONSOLIDATED | | | COLLEGE | | |
|---|--------------------|-------------------|-----------------|--------------------|-------------------|-----------------|
| | Specific £000's | General £000's | Total £000's | Specific £000's | General £000's | Total £000's |
| At start of year | 11,280 | 6,170 | 17,450 | 9,101 | 6,170 | 15,271 |
| Endowments received | 104 | 1 | 105 | 104 | 1 | 105 |
| Appreciation (depreciation) of endowment investments | (462) | (303) | (765) | (197) | (303) | (500) |
| Income receivable from endowment asset investments | 207 | 268 | 475 | 207 | 268 | 475 |
| Transferred to income and expenditure account (note 4) | (905) | (262) | (1,167) | (905) | (262) | (1,167) |
| Transfer (to) from General reserves | - | 170 | 170 | - | 170 | 170 |
| Transfer (to) from Deferred capital | - | - | - | - | - | - |
| Transfers in year | 304 | (304) | - | 304 | (304) | - |
| At end of year | 10,528 | 5,740 | 16,268 | 8,614 | 5,740 | 14,354 |

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.

19 RESERVES

DESIGNATED RESERVES

| | CONSOLIDATED £000's | COLLEGE £000's |
|---|------------------------|-------------------|
| At start of year | 864 | 864 |
| Increase(decrease) in Designated Reserves | (186) | (186) |
| Transfers (to) from general reserve | (44) | (44) |
| At end of year | 634 | 634 |

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.

| | CONSOLIDATED £000's | COLLEGE £000's |
|---|------------------------|-------------------|
| At 31 July they comprised: | | |
| Reserve for replacement and maintenance of functional buildings | - | - |
| Other designated reserves | 634 | 634 |
| | 634 | 634 |

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Notes to the Financial Statements
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19 **RESERVES (continued)**

REVALUATION RESERVES

| | CONSOLIDATED | | COLLEGE | |
|---|----------------|----------------|----------------|----------------|
| | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| At start of year | 1,605 | 2,106 | 1,605 | 2,106 |
| Prior year adjustment | | | | |
| Revaluations in the period | (868) | (344) | (868) | (344) |
| Transfer from revaluation reserve to general reserve in respect of: | | | | |
| Disposals | 111 | (157) | 111 | (157) |
| Depreciation on revalued assets | | | | |
| At end of year | 848 | 1,605 | 848 | 1,605 |

GENERAL RESERVES

| | CONSOLIDATED | | COLLEGE | |
|---|--------------|--------------|---------|--------------|
| | £000's | | £000's | |
| At start of year | | 9,691 | | 9,672 |
| Transfers (to) from Revaluation reserve | | (111) | | (111) |
| Surplus/(Deficit) from income and expenditure account | | (1,268) | | (1,275) |
| Transfers (to) from General Endowment | | (170) | | (170) |
| Transfers (to) from Specific Endowment | | - | | - |
| Capital repaid to endowment | | | | |
| Transfers (to) from Designated reserve | | 44 | | 44 |
| At end of year | | 8,186 | | 8,160 |

| | CONSOLIDATED | | COLLEGE | |
|---|----------------|----------------|----------------|----------------|
| | 2009 £000's | 2008 £000's | 2009 £000's | 2008 £000's |
| Representing: | | | | |
| Undepreciated cost of tangible fixed assets | | | | |
| financed out of general reserve | 22,886 | 22,837 | 22,886 | 22,837 |
| College general reserve | (14,700) | (13,146) | (14,726) | (13,165) |
| | 8,186 | 9,691 | 8,160 | 9,672 |

20 **CAPITAL COMMITMENTS**

CONSOLIDATED AND COLLEGE

| | £000's | £000's |
|--|-----------|------------|
| Commitments contracted at 31 July | 58 | 552 |
| Commitments under finance leases entered into but not yet provided for in the financial statements | - | - |
| | 58 | 552 |

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21 FINANCIAL COMMITMENTS

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

| | £000's | £000's |
|---------------------------|----------|----------|
| Land and buildings | <u>-</u> | <u>-</u> |
| Other | <u>-</u> | <u>-</u> |

22 POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

23 CONTINGENT LIABILITIES

There were no known contingent liabilities.

24 RELATED PARTY TRANSACTIONS

The College supports the College's Junior Common Room, Middle Common Room and Clubs, and as part of that support, there have been related party transactions which are not material.

The College owns 50% of 8 houses(2008: 8) with certain Fellows. The market value as at 31 July 2009 was £1,655k (2008: £1,661k).

25 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS (DEFICIT) TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

| | 2009 £000's | 2008 £000's |
|--|----------------|----------------|
| Surplus (deficit) for the year | (1,268) | (240) |
| Depreciation | 588 | 406 |
| Endowment income and interest receivable | (1,381) | (1,407) |
| Interest payable | 389 | 444 |
| Decrease (increase) in stocks | 3 | (4) |
| Decrease (increase) in debtors | 614 | (634) |
| (Decrease) increase in creditors | (1,363) | 1,839 |
| (Decrease) increase in provisions | - | - |
| Unrealised (gains)/losses | (396) | (271) |
| Released from Deferred Capital | (45) | (46) |
| | <u>(2,859)</u> | <u>87</u> |

26 MANAGEMENT OF LIQUID RESOURCES

| | £000's | £000's |
|-------------------------------------|------------|--------------|
| Net (purchase)/sale of investments | 465 | (405) |
| Net increase/(decrease) in deposits | - | - |
| | <u>465</u> | <u>(405)</u> |

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| | £000's | £000's |
|--|------------|--------------|
| 27 FINANCING | | |
| New loans | 894 | 4,912 |
| Repayments of amounts borrowed | - | - |
| Capital element of finance lease rental payments | - | - |
| | <u>894</u> | <u>4,912</u> |

| | 2009 £000's | Changes £000's | 2008 £000's |
|--|----------------|-------------------|----------------|
| 28 ANALYSIS OF CHANGES IN NET FUNDS | | | |
| Cash at bank and in hand | 65 | 154 | (89) |
| Endowment assets cash | 2,774 | 342 | 2,432 |
| Bank overdrafts | (1,281) | (1,281) | - |
| Short term deposits | | | |
| | <u>1,558</u> | <u>(785)</u> | <u>2,343</u> |
| Current asset investments | | | |
| Debt due within 1 year | - | - | - |
| Debt due after 1 year | - | - | - |
| Finance leases | - | - | - |
| | <u>1,558</u> | <u>(785)</u> | <u>2,343</u> |