



LMH

Lady Margaret Hall

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2010

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FOR THE YEAR ENDED

31 JULY 2010

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LADY MARGARET HALL

Report of the Governing Body

The Governing Body of the College of the Lady Margaret in the University of Oxford (commonly known as Lady Margaret Hall) ("the College") presents the annual report and financial statements for the year ended 31 July 2010 .

Status

The College is an eleemosynary chartered charitable corporation aggregate. It was founded as Lady Margaret Hall Oxford in 1878 by a group led by the Reverend Edward Talbot. It was incorporated in 1913 under the Companies Acts and later, in response to a petition dated 17 March 1926 from Cyril Bailey and Lynda Grier, under a Royal Charter of His Majesty King George V. The corporation comprises the Principal and Fellows, who are the charity trustees. The College is a charity under the Charities Act 2006.

Objects

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

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

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

Governance

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

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

Dr Frances Lannon (Principal)
Dr Robert Adlington
Prof David Andrews
Prof Nigel Arden
Dr Helen Barr
Dr Joanne Begbie
Dr Alexandra Braun (from 1 September 2010)
Dr Michael Broers
Dr Garry Brown
Dr Ann Childs
Prof John Day
Dr Xon de Ros
Rev Dr Allan Doig
Prof Sionaidh Douglas-Scott
Dr Nicholas Fawcett
Prof Antony Galione
Dr Christine Gerrard
Prof Vincent Gillespie
Dr José Goicoechea
Prof Robert Griffiths
Dr Nicholas Hankins
Prof Li He

LADY MARGARET HALL

Report of the Governing Body

Dr Clive Holmes
Dr Todd Huffman
Dr Marie-Chantal Killeen
Dr Jochen Koenigsmann
Dr Christina Kuhn
Prof David Macdonald
Prof Ewan McKendrick
Dr Mary MacRobert
Dr Judith Mank
Dr Michael Monoyios
Prof Anant Parekh
Miss Gillian Peele
Dr Penny Probert Smith
Prof Christopher Shields
Mr Richard Sommers
Dr Fiona Spensley
Prof Guy Stroumsa
Prof Adrian Thomas
Prof Alain Viala
Mr Peter Watson
Dr Susan Wollenberg
Dr Christine Wong

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

Dr Dana Brown (to 31 July 2010)
Prof Richard Jenkyns (to 30 September 2010)
Dr Gunther Martin (to 31 August 2010)

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

Responsibilities of Governing Body

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

It is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present audited financial statements for each financial year, prepared in accordance with the Statutes of the University. The Governing Body is also responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

In preparing the financial statements, the Governing Body has ensured that:

- " suitable accounting policies are selected and applied consistently;
- " judgements and estimates are made that are reasonable and prudent;
- " applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- " it is satisfied that it has adequate resources to continue in operation for the foreseeable future: accordingly the financial statements are prepared on a going concern basis;

The Governing Body has taken reasonable steps to:

- " ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud;
- " secure the economical, efficient and effective management of the College's resources and expenditure.

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

The College is a 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.

LADY MARGARET HALL

Report of the Governing Body

Scope of financial statements

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

Review of operations and finance

The College has had a mixed year financially. A strong year of fund raising and growth in the endowment from rises in financial markets were offset by difficulties on the Income and Expenditure Account.

The Income and Expenditure Account shows a surplus of £242k (3.4% of expenditure). This result includes a surplus on disposal of fixed assets of £50k, which is unlikely to be repeated in future years. In addition, within "Other operating income" are legacies and donations of £247k which the College has applied to reserves designated for the new building project. Without these items, there would have been a deficit of £57k which the College considers to be an acceptable, if not satisfactory, result. The College aims in each year to keep income and expenditure broadly in balance with a target surplus of £150k for capital refurbishment of existing buildings.

Considering the results by comparison to 2009, total income has risen by 7.1% and total expenditure has grown by 7.0%. The growth in income results from a modest increase in Academic Income, a sharp growth in Other Operating Income, resulting from increased residential income from having 66 more students 'living in' following the opening of the Pipe Partridge building, and a strong recovery in Conference Income after a disappointing previous year. Endowment income fell sharply, as expected, following the reduction in the value of the endowment last year. Much of the increase in Expenditure arises from the opening of the Pipe Partridge building, leading to a sharp increase in depreciation as well as other operating costs.

Turning to the balance sheet, total funds ended the year at £36,515k, a rise of £3,534k (10.7%) over the year. This rise was caused almost entirely by the capital appreciation of endowment asset investments, which grew 14% to £24,337k. Fixed assets increased from £14,528k to £18,068k, reflecting further expenditure on Pipe Partridge. This expenditure was funded by donations and by drawing fully on a loan facility of £6m to be repaid over twenty years, as well as by the College's own cash.

Investment policy and performance

The Investment Committee, with the benefit of two external members having particular expertise in fund management, has continued to operate under the policy established in 2004, with a new Statement of Investment Principles being agreed by the Governing Body in February 2005. That Statement was reviewed and minor updating agreed in October 2007 and in October 2009.

The Committee's performance is being monitored by Jewson Associates Limited. Over the year, the investments achieved a total return of 17.8% as compared to the absolute benchmark of 8.2% and relative benchmark of 16.3%. Over the last three years, these investments achieved an annualised return of minus 5.0% compared to the absolute benchmark return of 8.0% and the relative benchmark return of minus 1.3%. The absolute benchmark is 5% over consumer price inflation and the relative benchmark comprises 41% UK quoted equities, 14% overseas quoted equities, 20% bonds, 10% property, 10% alternative investments and 5% cash. The results for the year are pleasing, although performance over the last three years is below both the absolute and relative benchmarks. The Committee considers that a long-term approach to investment is appropriate as the College is a charitable trust with no requirement to distribute capital and so believes that a significant allocation to equities remains correct.

LADY MARGARET HALL

Report of the Governing Body

Reserves

The balance on reserves at the year-end amounts to £9,696k. The Governing Body considers that a free general reserve of between £2.5m and £3.0m should ideally be maintained to allow the College to be managed efficiently and to provide a buffer to ensure uninterrupted services. This equates to approximately six months of expenditure. The balance of reserves varies between years, most notably with the receipt of unrestricted legacies.

Risk management

The major risks to which the College are exposed, as identified by the Governing Body, have been reviewed and systems have been established to mitigate these risks. Strong progress was made in achieving the main targets set out in the Strategic Plan for the period 2004 to 2009. A new Strategic Plan for 2010 to 2015 has been agreed by Governing Body. This will be monitored by the College's Strategy Committee, which includes two external expert members

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

Approved by the Governing Body on 1 December 2010

F Lannon - Principal

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

We have audited the financial statements of Lady Margaret Hall for the year ended 31 July 2010 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 27. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the other information contained in the Report of the Governing Body and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements, or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College, and of the College consolidated with its subsidiaries, as at 31 July 2010 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 2010 has been applied to the purposes for which it was received.

Critchleys LLP
Registered Auditors
Chartered Accountants
Oxford

2 December 2010

LADY MARGARET HALL

Statement of Principal Accounting Policies

Basis of preparation

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

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

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

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

Recognition of income

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

Income receivable from investment funds representing specific endowments and other restricted income is credited to income and expenditure account according to a sustainable spending rule that permits the transfer of income of 4 per cent of the opening valuation of the endowment funds, up to the extent of the relevant expenditure incurred during the year.

Income receivable from investment funds representing general endowments (the use of which is not legally restricted to a specific purpose or activity) is credited to income and expenditure account according to a sustainable spending rule that permits the transfer of income of 4 per cent of the opening valuation of the endowment funds.

General donations

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

Pension costs

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

Tangible fixed assets

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

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

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

Donations received to finance the acquisition of tangible fixed assets are treated as deferred capital and released to income on a straight line basis over the same period as the related asset is depreciated.

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

LADY MARGARET HALL

Statement of Principal Accounting Policies

Investments

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

Stocks

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

Maintenance of premises

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

Provisions

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

Leases

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at period-end rates of exchange or, where there are related forward foreign exchange contracts, at contract rates. The resultant exchange differences are included in the income and expenditure account for the period.

Taxation status

As an exempt charity within the meaning of Schedule 2 of the Charities Act 1993, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar general exemption from Value Added Tax by virtue of its charitable status, although the provision of education is exempt under group 6, schedule 9, Value Added Tax Act 1994.

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

College Contribution Scheme

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

LADY MARGARET HALL
Consolidated Income and Expenditure Account
Year ended 31st July 2010

	Note	July 2010 £000	July 2009 as restated £000
INCOME			
Academic fees, tuition income and other HEFCE support	1	2,586	2,482
Research grants and contracts	2	107	100
Other operating income	3	3,855	3,203
Endowment return and interest receivable	4	838	1,111
Total income		7,386	6,896
EXPENDITURE			
Staff costs	5, 7	4,084	3,830
Depreciation	7	477	267
Other operating expenses	7	2,578	2,597
Interest payable	7	55	33
Contribution under Statute XV	7	0	(3)
Total expenditure		7,194	6,724
Surplus for the period on continuing operations before taxation and disposal of fixed assets		192	172
Surplus on disposal of fixed assets		50	0
Surplus for the year after taxation	8, 9	242	172

LADY MARGARET HALL
Statement of Total Recognised Gains & Losses
Year ended 31st July 2010

	Note	July 2010 £000	July 2009 £000
Reserves			
Surplus for the year		242	172
Endowments			
Income receivable from endowment asset investments	17	305	491
Endowment management expenses	17	(105)	(74)
Endowment income transferred to income and expenditure account	17	(829)	(995)
Appreciation/ (Depreciation) of endowment asset investments	17	3,393	(4,177)
Endowments received	17	251	45
Deferred Capital			
Specific donations for building projects received	16	310	485
Released to income and expenditure account	16	(33)	0
Total recognised gains/(losses) relating to the year		3,534	(4,053)
Opening reserves and endowments		32,981	37,034
Closing reserves and endowments		36,515	32,981

LADY MARGARET HALL
Balance Sheets
As at 31st July 2010

	Note	CONSOLIDATED		COLLEGE	
		July 2010	July 2009	July 2010	July 2009
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	18,068	14,528	18,068	14,528
Investments	11	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>
		<u>18,068</u>	<u>14,528</u>	<u>18,072</u>	<u>14,532</u>
Endowment asset investments					
Securities and cash deposits		24,337	21,417	24,337	21,417
	12	<u>24,337</u>	<u>21,417</u>	<u>24,337</u>	<u>21,417</u>
Current assets:					
Stocks		115	110	114	109
Debtors	13	618	877	656	438
Cash at bank and in hand		<u>1,348</u>	<u>1,965</u>	<u>1,343</u>	<u>1,939</u>
		2,081	2,952	2,113	2,486
Creditors:					
Amounts falling due within one year	14	(2,256)	(1,578)	(2,292)	(1,116)
Net current (liabilities)/assets		<u>(175)</u>	<u>1,374</u>	<u>(179)</u>	<u>1,370</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		42,230	37,319	42,230	37,319
Creditors:					
Amounts falling due after more than one year	15	(5,715)	(4,338)	(5,715)	(4,338)
TOTAL NET ASSETS		<u>36,515</u>	<u>32,981</u>	<u>36,515</u>	<u>32,981</u>
Deferred Capital	16, 26	2,482	2,205	2,482	2,205
Endowments					
Specific		9,015	7,474	9,015	7,474
General		<u>15,322</u>	<u>13,943</u>	<u>15,322</u>	<u>13,943</u>
	17	24,337	21,417	24,337	21,417
Reserves					
Designated reserves	18	871	820	871	820
General reserves	18, 26	<u>8,825</u>	<u>8,539</u>	<u>8,825</u>	<u>8,539</u>
		9,696	9,359	9,696	9,359
TOTAL FUNDS		<u>36,515</u>	<u>32,981</u>	<u>36,515</u>	<u>32,981</u>

The financial statements were approved by the Governing Body of Lady Margaret Hall on 1st December 2010

Dr F Lannon
Principal

R F Sommers
Treasurer

LADY MARGARET HALL
Consolidated Cashflow Statement
Year ended 31st July 2010

	July 2010	July 2009
Note	£000	£000
Net cash inflow from operating activities	24 <u>761</u>	<u>(626)</u>
Returns on investments and servicing of finance		
Net income from endowments received	305	417
Other income from investments and interest received	<u>9</u>	<u>116</u>
	314	533
Interest paid	<u>(55)</u>	<u>(33)</u>
Net cash inflow from returns on investments and servicing of finance	<u>259</u>	<u>500</u>
Capital expenditure and financial investment		
Net acquisition of tangible fixed assets	(4,016)	(6,012)
Net realisation of endowment asset investments	2,300	1,528
Net deferred capital received	277	485
New endowments received	251	45
Other net capital movements	<u> </u>	<u> </u>
Net cash (outflow) from capital expenditure and financial investment	<u>(1,188)</u>	<u>(3,954)</u>
Total Net cash (outflow) before use of liquid resources and financing	(168)	(4,080)
Management of liquid resources:		
Decrease / (increase) in short term investments	0	202
Financing		
Loan receipts / (repayments)	25 <u>1,377</u>	<u>4,070</u>
Increase in cash	26 <u>1,209</u>	<u>192</u>
<hr/>		
Reconciliation of net cash flow to movement in net funds		
Increase in cash	1,209	192
(Decrease) / increase in liquid resources and current asset investments	0	(202)
(Increase) in debt	<u>(1,377)</u>	<u>(4,070)</u>
Change in net funds	(168)	(4,080)
Net funds at 31 July 2009	<u>(1,396)</u>	<u>2,684</u>
Net funds at 31 July 2010	<u>(1,564)</u>	<u>(1,396)</u>

LADY MARGARET HALL
Notes to the Financial Statements
Year ended 31st July 2010

1 ACADEMIC FEES, TUITION INCOME AND HEFCE SUPPORT

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

July 2010	July 2009 as restated
£000	£000
1,635	1,616
462	472
301	267
188	127
2,586	2,482

The above analysis includes support from the University from HEFCE funds amounting to £1,714k (2009 - £1,690k)

2 RESEARCH GRANTS AND CONTRACTS

Research councils
Other grants and contracts

£000	£000
0	0
107	100
107	100

3 OTHER OPERATING INCOME

Residential income from college members
Conference and function income
Grants and donations
Release of deferred capital contributions
Other income

£000	£000
2,025	1,670
876	750
781	691
33	0
140	92
3,855	3,203

4 ENDOWMENT RETURN AND INTEREST RECEIVABLE

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

£000	£000
272	315
557	680
3	111
6	5
838	1,111

5 STAFF COSTS

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

£000	£000
3,313	3,090
231	225
379	348
161	167
4,084	3,830

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

6 PENSION SCHEMES

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

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

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

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

	USS	OSPS
Date of latest actuarial valuation	31/03/2008 ^a	31/07/07
Date valuation results published	01/12/2005	09/10/2008
The results of the latest actuarial valuations are:		
Value of liabilities	£28,135m	£322m
Value of assets	£28,842m	£279m
Funding surplus/(deficit)	£707m ^b	(£43m) ^c
Principal assumptions:		
Investment returns per annum - future service liabilities	4.4% pa	-
Investment returns per annum - past service liabilities	6.1% pa	-
Rate of interest (periods up to retirement)	-	6.9% pa
Rate of interest (periods after retirement)	-	4.9% pa
Salary increases per annum	4.3% pa	4.8% pa
Pension increases per annum	3.3% pa	3.3% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	23 yrs	22.0 yrs
Assumed life expectancy at age 65 (females)	25 yrs	24.0 yrs
Funding Ratios:		
Technical Provisions basis	103% ^d	87%
Statutory Pension Protection Fund basis:	107%	95%
"Buy-out" basis:	57% ^d	71%
Estimated FRS17 basis:	80% ^d	89%
Recommended employer contribution rate	16% ^e	21.5% ^c
Effective date of next valuation	31/03/2011 ^a	31/03/2010

Notes:

- USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which are not expected to be finalised until December 2011, with publication of the final results in 2012.
- In the light of the considerable swings in markets since the valuation date, the nature of the demographic and financial assumptions used in the ongoing and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the small ongoing funding surplus should be carried forward to the next valuation.
- OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £43.2m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.
- Since 31 March 2008, global investment markets have continued to fluctuate and the actuary has estimated the funding level of USS had fallen from 103% at 31 March 2008 to 91% (a deficit of £3,065m) at 31 March 2010. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). On the FRS17 basis, the actuary estimated that the funding level at 31 March 2010 was above 80% and on a buy out basis was approximately 57%.
- The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries and the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

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6 PENSION SCHEMES continued

6.5 Sensitivity of actuarial valuation assumptions:

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

Assumption	Change in assumption	Impact on scheme liabilities	
		USS	OSPS
Valuation rate of interest	increase/decrease by 0.5%	decrease / increase by £2.2bn	decrease / increase by £30m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £20m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £7m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m

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

	2010 £000	2009 £000
Universities Superannuation Scheme	215	194
University of Oxford Staff Pension Scheme	164	154
	379	348

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Notes to the Financial Statements
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7 ANALYSIS OF EXPENDITURE

	Staff costs	Depreciation	Other operating expenses	Total July 2010	Total July 2009 as restated
	£000	£000	£000	£000	£000
Academic	2,077		578	2,655	2,438
Residences, catering and conferences	1,056		1,054	2,110	2,031
Premises and equipment	278	477	608	1,364	1,150
College administration	434		171	605	665
Endowment management			0	0	0
Fundraising	147		131	277	285
Other	92		36	128	125
	4,084	477	2,578	7,139	6,694
Interest payable				55	33
Contribution under Statute XV				0	(3)
Total expenditure				7,194	6,724

	£000	£000
Interest payable relates to		
Bank loans, overdrafts and other loans:		
Repayable within 5 years	29	33
Repayable wholly or partly in more than 5 years	26	0
	55	33
Other operating expenses include auditors' remuneration:		
in respect of the audit of these financial statements	18	17
in respect of other services	3	5
	21	22

8 TAXATION

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

9 SURPLUS FOR THE YEAR

	£000	£000
College's surplus for the year	242	172
Surplus/(deficit) generated by the subsidiary undertakings	0	(0)
	242	172

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Notes to the Financial Statements
Year ended 31st July 2010

10 TANGIBLE FIXED ASSETS

	CONSOLIDATED			COLLEGE		
	Freehold Land & Buildings	Equipment	Total	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At start of year	16,567	515	17,082	16,567	515	17,082
Additions	3,861	423	4,284	3,861	423	4,284
Disposals	(300)	0	(300)	(300)	0	(300)
At end of year	20,128	938	21,066	20,128	938	21,066
Depreciation						
At start of year	2,190	364	2,554	2,190	364	2,554
Charge for period	372	105	477	372	105	477
Disposals	(33)	0	(33)	(33)	0	(33)
At end of year	2,529	469	2,998	2,529	469	2,998
Net book value						
At end of year	17,599	469	18,068	17,599	469	18,068
At start of year	14,377	151	14,528	14,377	151	14,528

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

11 FIXED ASSET INVESTMENTS

	CONSOLIDATED		COLLEGE	
	July 2010	July 2009	July 2010	July 2009
	£000	£000	£000	£000
Investments stated at cost				
Subsidiary undertakings	0	0	4	4
At end of year	0	0	4	4

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

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Notes to the Financial Statements
Year ended 31st July 2010

12 ENDOWMENT ASSET INVESTMENTS
CONSOLIDATED AND COLLEGE

	July 2010	July 2009
	£000	£000
Securities and cash		
At market value		
At start of year	21,417	26,216
Purchases at cost	1,402	1,093
Sale proceeds	(3,701)	(2,621)
Increase / (decrease) in cash held by fund manager	1,826	906
Revaluation (losses) / gains	3,393	(4,177)
	24,337	21,417
<i>Analysed as</i>		
Equities (listed)	17,861	17,739
Unlisted securities	3,673	2,701
Cash	2,803	977
	24,337	21,417
Historical cost of Endowment Asset Investments at end of year	25,063	25,885

13 DEBTORS

	CONSOLIDATED		COLLEGE	
	July 2010	July 2009	July 2010	July 2009
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	339	140	196	103
Prepayments and accrued income	212	612	151	168
Amounts owed by College members	67	125	21	70
Amounts owed by group undertakings	0	0	288	97
	618	877	656	438

14 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		COLLEGE	
	July 2010	July 2009	July 2010	July 2009
	£000	£000	£000	£000
Accruals and deferred income	956	642	382	246
Trade creditors	386	223	196	164
College Contribution	0	0	0	0
Other taxation and social security	108	88	128	83
Bank loans and overdrafts	359	111	359	111
Unsecured loans	30	30	30	30
Amounts owed to group undertakings	0	0	905	270
Other creditors	417	484	292	212
	2,256	1,578	2,292	1,116

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

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15 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED		COLLEGE	
	July 2010	July 2009	July 2010	July 2009
	£000	£000	£000	£000
Bank loans	5,625	4,206	5,625	4,206
Unsecured loans	90	120	90	120
Other creditors	0	12	0	12
	5,715	4,338	5,715	4,338

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

The new unsecured New Buildings bank loan is repayable over 20 years commencing in May 2010. The interest option agreed in February 2010, when the Revolving Loan facility was converted into a Term Loan, is 0.25% p.a. above bank base rate or bank fixed rate. At 31st July 2010 the balance falling due after more than one year was £5.625m.

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

16 DEFERRED CAPITAL

CONSOLIDATED AND COLLEGE	July 2010	July 2009
	£000	£000
At start of year	2,205	1,720
New capital	310	485
Released to income and expenditure account	(33)	0
	2,482	2,205

The balance on deferred capital represents specific donations received to finance tangible fixed assets building projects. 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.

17 ENDOWMENTS

CONSOLIDATED AND COLLEGE	Specific	General	2010 Total	2009 Total
	£000	£000	£000	£000
At start of year	7,475	13,942	21,417	26,216
Endowments received	251	0	251	45
Appreciation (depreciation) of endowment investments	1,143	2,250	3,393	(4,177)
Income receivable from endowment asset investments	104	201	305	491
Endowment management expenses	(35)	(70)	(105)	(74)
Transferred to income and expenditure account (note 4)	(272)	(557)	(829)	(995)
Transfer from general endowment to specific endowment	444	(444)	0	0
Transfer to general reserves	(95)	(0)	(95)	(89)
	9,015	15,322	24,337	21,417

Endowments comprise those funds which are regarded as for the long term and which fundamentally underpin and sustain the operation of the College at its desired level of activity.
Specific Endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity.
General Endowments represent the corporate capital of the College and include bequests and gifts where the use of the capital and income (or only the income) is for the general purposes of the College. Part of these funds may have been designated for a particular purpose by the Governing Body.
There are no specific endowments (Consolidated or College) which provide income for purposes that lie outside the objects of the College.

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Notes to the Financial Statements
Year ended 31st July 2010

18 RESERVES

18.1 DESIGNATED RESERVES

CONSOLIDATED AND COLLEGE	July 2010	July 2009
	£000	£000
At start of year	820	693
Transfers from general reserve - Capital building project	247	288
Transfers (to) general reserve - Capital building project	(285)	(250)
Transfers from general reserve - Other	89	89
	871	820

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

At 31 July the Designated Reserves comprised:

	July 2010	July 2009
	£000	£000
Capital buildings project	(0)	38
Reserve for repayments of endowment loans to fund buildings acquisitions and improvements	840	751
Other purposes	31	31
	871	820

18.2 GENERAL RESERVES

	CONSOLIDATED		COLLEGE	
	July 2010	July 2009	July 2010	July 2009
	£000	£000	£000	£000
At start of year	8,539	8,405	8,539	8,405
Surplus / (deficit) from income and expenditure account	242	172	242	172
Transfers to /from endowment	95	89	95	89
Transfers (to) / from designated reserves	(51)	(127)	(51)	(127)
	8,825	8,539	8,825	8,539
Representing:				
Undepreciated cost of tangible fixed assets financed out of general reserves	9,661	8,123	9,661	8,123
College general reserve - other	(836)	416	(836)	416
	8,825	8,539	8,825	8,539

19 CAPITAL COMMITMENTS

CONSOLIDATED AND COLLEGE

Contracted at 31 July 2010:

New building commitments

Other commitments

	£000	£000
New building commitments	0	1,672
Other commitments	123	0
	123	1,672

20 FINANCIAL COMMITMENTS

At 31 July 2010 the College had no annual commitments under non-cancellable operating leases.

21 POST BALANCE SHEET EVENTS

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

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Notes to the Financial Statements
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22 CONTINGENT LIABILITIES

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

23 RELATED PARTY TRANSACTIONS

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

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

	July 2010	July 2009
	£000	£000
Surplus for the year	242	172
Depreciation	477	267
Endowment income and interest receivable	(838)	(1,111)
Interest payable	55	33
(Increase) / decrease in stocks and work in progress	(5)	5
Decrease in debtors	258	119
Increase / (decrease) in creditors	572	(111)
	761	(626)

25 FINANCING

	July 2010	July 2009
	£000	£000
New loans	1,541	4,159
Repayments of amounts borrowed	(164)	(89)
	1,377	4,070

26 CHANGES IN NET FUNDS

	July 2010	Changes	July 2009
	£000	£000	£000
Cash at bank and in hand	1,348	(617)	1,965
Endowment assets cash (note 12)	2,803	1,826	977
	4,151	1,209	2,942
Debt due after 1 year (note 15)	(5,715)	(1,377)	(4,338)
	(1,564)	(168)	(1,396)

27 PRIOR PERIOD ADJUSTMENT

The change in accounting policy for recognition of Oxford Opportunity Bursaries has resulted in an increase of £197k in both income and expenditure recognised in the income and expenditure account for the year ended 31st July 2009. As this change only results in a grossing up of income and expenditure, there is no effect on total funds at 1st August 2009.