

**LINCOLN COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

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Report of the Governing Body

The Governing Body of Lincoln College presents the annual report and financial statements for the year ended 31st July 2010.

Status

Lincoln College is a chartered charitable corporation. The full corporate designation of the College is "The Warden or Rector and Scholars of the College of the Blessed Mary and All Saints, Lincoln, in the University of Oxford, commonly called Lincoln College". The College was founded by Richard Fleming, Bishop of Lincoln, under a Royal Charter of King Henry VI, dated 13th October 1427, and a Deed of Foundation dated 1429. The corporation comprises the Rector and Fellows. Prior to the abolition of exempt charity status in 2010 the College was classified as an exempt charity under s3(5a) Charities Act 1993; at present the College is in the process of registering as a charity with the Charity Commission, in accordance with the requirements of the Charities Act 2006.

Objects

The College's objects as expressed in the original founding documents and as recently stated in the College's application to the Charity Commission's register are:

The advancement of education, study and research in particular through the provision, support and maintenance of a college in Oxford

and

The advancement of religion including the provision and support of a chapel in accordance with the principles of the Church of England

In 2001 the Governing Body of the College approved a more detailed statement of the College's purposes as being:

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

In furtherance of these objects and purposes the College has a number of permanently endowed trust funds held for special purposes in connection with the development of College facilities and for scholarships, bursaries, prizes and other educational purposes.

Governance

The Governing Body of the College comprises the Rector and Fellows. This Body is constituted and regulated in accordance with the College Statutes. Membership of the Governing Body varies over time with changes in appointments to Fellowships: in recent years the number of Governing Body members has been in the region of 35. The College Statutes are as made from time to time by order of Her Majesty in Council in accordance with the Royal Charter of 1427 and the Universities of Oxford and Cambridge Act 1923.

The Governing Body has responsibility for the ongoing strategic direction of the College, for its administration and for the management of its finances and assets. It meets regularly under the chairmanship of the Rector. The Chairman of the College's Development Committee, an alumnus of the College, is not a member of the Governing Body but regularly attends Governing Body meetings by invitation. The Presidents of the Junior (undergraduate) and Middle (post-graduate) Common Rooms also attend Governing Body meetings for that part of the meeting's business that is designated "Unreserved".

The Governing Body is advised by a number of committees of which the two most important are convened by the College's principal executive officers. These two committees are the Finance Committee (convened by the Bursar) and the Senior Tutor's Committee (convened by the Senior Tutor). The Finance Committee is comprised of Fellows of the College (both ex officio and by secondment for a defined period) together with invited alumni of the College who provide the benefit of their professional expertise in areas of finance and investments. The mandate of this Committee covers the College's investments, estates, premises, financial management and accounting, and financial oversight of the College's academic, domestic and administrative operations. The Senior Tutor's Committee is concerned with all aspects of the academic (teaching and research) life of the College relating to Fellows, lecturers and students. As with Governing Body meetings, representatives of the Junior and Middle Common Rooms also attend meetings of the two principal committees for "Unreserved" business.

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Report of the Governing Body

Other committees reporting to the Governing Body are the Planning Committee, which is concerned with issues of long-term strategic importance to the College and is comprised of the Rector, College officers and a number of Tutorial Fellows; and the Junior Relations Committee, whose mandate covers all items of business which jointly involve the Senior, Middle and Junior Common Rooms.

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

Scope of financial statements

The financial statements show the accounts of Lincoln College alone; and in addition show the consolidated accounts of Lincoln College, its subsidiary undertakings Lincoln College Enterprises Limited and Lincoln College Trading Limited, the Lincoln College Michael Zilkha Fund (registered charity no.1095113) and from this year the Lincoln 2027 Trust (registered charity no. 1136816).

Review of Operations and Finance

In 2009-10 the College's management of its operations resulted in a financial surplus of £354k (2008-09: £566k). This is the eighth consecutive year that the College has produced a financial surplus. This outcome is consistent with the current strategic intention to control income and expenditure such that ongoing operations do not erode the capital value of the College's endowment but may, indeed, enlarge it.

Although national and global economic conditions showed something of an improvement from the previous year, the overall environment in which the College operates remained challenging. Income from tuition fees, which is largely comprised of and regulated by flows to the College from the University, remained as expected broadly consistent with the previous year. However expectations of a recovery in income from conferences and summer schools were disappointed, as our predominantly US-based clients of long-standing did not produce the level of activity or numbers of delegates for which we had hoped. The College continued with its planned programme of buildings repairs, with the refurbishment of staircases 19 and 21 bringing to completion the five-year programme of work on student rooms in the Quartermain's post-graduate block. It has been something of a challenge to keep buildings-related expenditure within budget, with the transfer of the College's archive to its new site at Museum Road site in particular proving more costly than expected. Nevertheless it remains the case that the financial disciplines and economies put in place in the last few years have protected the College from the worst effects of the wider economic malaise, and expenditure on the primary College activities of teaching and research, and on the provision of financial support for student members, has not had to be reduced.

For the purposes of operational planning a yield of 3% is assumed to be drawn down on a sustainable basis from the College's endowment assets. (For this purpose the "value of the endowment" is taken as being an average of the previous three years' valuations.) In fact, with the deficit on operations (that is, before taking into account income from the endowment) slightly larger than had been planned, the hypothetical sum required to be drawn from the endowment to fund operations in 2009-10 was 3.02% of the value of the endowment.

In 2009 Lincoln became one of the first of the Oxford colleges to obtain a credit rating from a recognised agency. The AAA rating from Fitch Associates was a confirmation not only of the College's financial standing but also of the integrity of its governance and management processes. In 2010 the College chose not to have the Fitch rating renewed. This decision by the College was not a consequence of any deterioration in the College's financial position but rather reflected the College's view that the agency's renewal fee did not currently represent value for money as it appeared unlikely that the College would soon undertake open-market borrowing.

Investment Management

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

The value of the College's endowment assets stood at £58.32m at the end of July 2010 (£55.10m : 2009). Taking into account all inflows and outflows from the endowment the total return investment performance of the endowment assets from end-July 2009 to end-July 2010 was +10.2%.

The 2009-10 financial year was the first full year of the College's new investment management arrangements. The portfolio of financial assets is divided between two managers, Cerno LLP and Lord North Street Ltd, each being mandated to invest for capital growth through investment in the best-available fund vehicles in a variety of asset classes. This approach is practicable for Lincoln because the rents from our property investments provide nearly all the income we need to fund our ongoing activities: so the financial investments can be focused on the growth of the endowment over the long-

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Report of the Governing Body

to fund our ongoing activities; so the financial investments can be focused on the growth of the endowment over the long-term. So far one of the two managers has out-performed the market indices by a wide margin but the other has taken a more cautious view of the world economy and has seen his performance lag the rising market. Altogether the return from the College's financial assets portfolio under the dual management arrangement was +8.6%, compared with the performance of the College's internal benchmark for its financial assets of +7.7%.

The College's portfolio of commercial, agricultural and (non-student) residential properties comprises just over half of the total value of the endowment. It is overseen by Laws & Fiennes of Broughton, Banbury. Gross income from property assets during the year was just over 6%. The annual revaluation of the portfolio, as at July 31st 2010, produced an increase in the value of the property assets of 5.1%, reflecting a prudent and fairly conservative approach to the valuation of the College's properties.

Reserves

The College's general reserves amounted to £6.6 million at end-July 2010 (£7.4 million : 2009) of which operating reserves amounted to £0.5million (£1.4 million : 2009). The College has been content slightly to reduce its reserves cover during the last few years and remains confident that this sum, taken together with insurance cover, would be sufficient to provide a buffer for uninterrupted services and to support the programme of building repair and refurbishment should the College encounter unforeseen difficulties.

Approved by the Governing Body on 10 November 2010

Professor P Langford Rector

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Responsibilities of the Governing Body

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

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

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

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

The Governing Body has taken reasonable steps to:

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

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

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

LINCOLN COLLEGE
Independent auditors' Report to the Governing Body

We have audited the financial statements of Lincoln College for the year ended 31 July 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 23. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF THE GOVERNING BODY AND AUDITORS

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

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

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion:

- a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College, and of the College consolidated with its subsidiaries and connected entities, as at 31 July 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
Statutory Auditor
Oxford

Date

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Statement of Principal Accounting Policies

Basis of preparation

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

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

The financial statements consolidate the accounts of the College and of its subsidiary undertakings Lincoln College Enterprises Limited, Lincoln College Trading Limited, together with The Lincoln College Michael Zilkha Fund and Lincoln 2027 Trust which are related charities. The accounts of the affiliated student bodies (Lincoln College Junior and Middle Common Rooms and Amalgamated Clubs) have not been consolidated because the College does not control these activities.

Recognition of income

Fees and other income for services provided are credited to the income and expenditure account on a receivable basis. Income from specific endowments and other restricted income is included to the extent of the relevant expenditure incurred during the year. Income from general endowments (the use of which is not legally restricted to a specific purpose or activity) is included in the income and expenditure account on a receivable basis.

General donations

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

Pension costs

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

Tangible fixed assets

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

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

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

The cost of major renovation projects which increase the service potential of buildings is capitalised and depreciated over applicable periods.

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

The College operates a "de minimis" limit of £1,000 for the capitalisation of expenditure on equipment. Works of art and other valuable artefacts that can be regarded as inalienable are not included in the financial statements.

Investments

Listed investments and properties held as fixed asset and endowment asset investments are stated at market value. Other investments are stated at the lower of cost and net realisable value.

Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

Stocks

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

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Statement of Principal Accounting Policies

Maintenance of premises

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

Provisions

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

Foreign currencies

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

Taxation status

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

LINCOLN COLLEGE
Consolidated Income and Expenditure Account
Year ended 31 July 2010

	Notes	2010 £000	as re-stated 2009 £000
INCOME			
Academic fees, tuition income and HEFCE Support	1	2,247	2,071
Other operating income	2	3,320	3,294
Endowment return and interest receivable	3	2,421	2,722
Total income		<u>7,988</u>	<u>8,087</u>
EXPENDITURE			
Staff costs	4	3,822	3,765
Depreciation		408	400
Other operating expenses		3,350	3,300
Contribution under Statute XV		54	56
Total expenditure	6	<u>7,634</u>	<u>7,521</u>
Surplus for the year	7	<u>354</u>	<u>566</u>

Consolidated statement of total recognised gains and losses
Year ended 31 July 2010

	Notes	2010 £000	2009 £000
Reserves			
Surplus for the year		354	566
Endowments			
Income receivable from endowment asset investments	14	2,003	2,789
Endowment return transferred to Income and Expenditure account	14	(2,412)	(2,709)
Appreciation/(depreciation) of endowment asset investments	14	3,842	(5,651)
New endowments received	14	4,675	1,062
Other			
Net additions to deferred capital	13	(151)	(137)
Total recognised gains/(losses) relating to the year		<u>8,311</u>	<u>(4,080)</u>
Opening reserves and endowments		71,843	75,923
Closing reserves and endowments		<u>80,154</u>	<u>71,843</u>

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Balance Sheets
As at 31 July 2010

	Notes	CONSOLIDATED		COLLEGE	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed assets					
Tangible assets	8	14,322	14,342	14,322	14,342
Investments	9	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
		<u>14,322</u>	<u>14,342</u>	<u>14,324</u>	<u>14,344</u>
Endowment asset investments					
Securities and cash deposits		34,715	26,440	27,720	25,436
Land and property		30,595	29,660	30,595	29,660
	10	<u>65,310</u>	<u>56,100</u>	<u>58,315</u>	<u>55,096</u>
Current assets:					
Stocks		130	137	130	137
Debtors	11	582	546	671	546
Cash at bank and in hand		<u>653</u>	<u>1,465</u>	<u>562</u>	<u>1,465</u>
		1,365	2,148	1,363	2,148
Creditors:					
Amounts falling due within one year	12	(843)	(747)	(843)	(749)
		<u>522</u>	<u>1,401</u>	<u>520</u>	<u>1,399</u>
Net current assets		<u>522</u>	<u>1,401</u>	<u>520</u>	<u>1,399</u>
TOTAL NET ASSETS		<u>80,154</u>	<u>71,843</u>	<u>73,159</u>	<u>70,839</u>
Deferred capital	13	8,241	8,392	8,241	8,392
Endowments					
Specific		17,982	16,422	16,914	15,418
General		<u>47,328</u>	<u>39,678</u>	<u>41,401</u>	<u>39,678</u>
	14	65,310	56,100	58,315	55,096
Reserves					
General reserves	15	6,603	7,351	6,603	7,351
TOTAL FUNDS		<u>80,154</u>	<u>71,843</u>	<u>73,159</u>	<u>70,839</u>

The financial statements were approved and authorised for issue by the Governing Body of Lincoln College on 10 November 2010.

P Langford
Rector

T Knowles
Bursar

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Consolidated Cash Flow Statement
Year ended 31 July 2010

	Note	2010 £000	2009 £000
Net cash outflow from operating activities	19	<u>(1,778)</u>	<u>(1,473)</u>
Returns on investments and servicing of finance			
Income from endowments received	14	2,003	2,789
Other income from investments and interest received		9	13
Net cash inflow from returns on investments and servicing of finance		<u>2,012</u>	<u>2,802</u>
Capital expenditure and financial investment			
Net (acquisition) of tangible fixed assets		(388)	(105)
Net (acquisition) of endowment asset investments		(1,563)	(2,628)
Endowments received		4,675	1,062
Deferred capital received		35	48
Net cash inflow/(outflow) from capital expenditure and financial investment		<u>2,759</u>	<u>(1,623)</u>
Net cash inflow/(outflow) before use of liquid resources and financing		2,993	(294)
Increase/(decrease) in cash	20	<u>2,993</u>	<u>(294)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash for the year		2,993	(294)
Change in net funds		2,993	(294)
Net funds at 1 August		2,929	3,223
Net funds at 31 July		<u>5,922</u>	<u>2,929</u>

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Notes to the Financial Statements
Year ended 31 July 2010

	2010 £000	2009 £000
1 ACADEMIC FEES, TUITION INCOME AND HEFCE SUPPORT		
Tuition fees from UK and European Union students	1,173	1,155
Tuition fees from overseas students	481	437
Other fees	133	59
Other tuition income and HEFCE Support	460	420
	<u>2,247</u>	<u>2,071</u>

The above analysis includes support from the University from HEFCE funds amounting to £1,391,000 (2009: £1,315,000)

	£000	as re-stated £000
2 OTHER OPERATING INCOME		
Residential income from college members	2,004	1,934
Conference and function income	571	539
Grants and donations	508	519
Release of deferred capital contributions (note 13)	186	185
Other income	51	117
	<u>3,320</u>	<u>3,294</u>

	£000	£000
3 ENDOWMENT RETURN AND INTEREST RECEIVABLE		
Transferred from specific endowments (note 14)	562	577
Transferred from general endowments (note 14)	1,850	2,132
Other interest receivable	9	13
	<u>2,421</u>	<u>2,722</u>

	£000	£000
4 STAFF COSTS		
Gross pay	3,165	3,132
Social Security costs	225	224
Other pension costs	414	391
Other benefits	18	18
	<u>3,822</u>	<u>3,765</u>

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

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Notes to the Financial Statements
Year ended 31 July 2010

5 PENSION SCHEMES

1. The pension schemes:

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

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

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

2. Actuarial valuations

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

	USS	OSPS
Date of valuation:	31/03/08 ^a	31/07/07
Date valuation results published:	04/02/09	09/10/08
Value of past service liabilities:	£28,135m	£325m
Value of assets:	£28,842m	£282m
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:		
Technical provisions basis:	103% ^d	87%
Statutory Pension Protection Fund basis:	107%	95%
"Buy-out" basis:	79% ^d	71%
Estimated FRS17 basis:	104% ^d	89%
Recommended Employer's contribution rate (as % of pensionable salaries):	16% ^e	21.5% ^c
Effective date of next valuation:	31/03/11 ^a	31/07/10

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.

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Notes to the Financial Statements
Year ended 31 July 2010

- c) OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £43.2m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.
- d) Since 31 March 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 80% and on a buy out basis was approximately 57%.
- e) The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries but the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

3. Sensitivity of actuarial valuation assumptions

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

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

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

	2010 £000	2009 £000
University Superannuation Scheme	174	146
University of Oxford Staff Pension Scheme	232	238
Other schemes	8	7
	414	391

6 ANALYSIS OF EXPENDITURE

	Staff costs £000	Depreciation £000	Other operating expenses £000	2010 Total £000	as re-stated 2009 Total £000
Academic	1,503	12	891	2,406	2,319
Residences, catering and conferences	1,420	18	809	2,247	2,370
Premises	234	334	851	1,419	1,265
College administration	437	19	262	718	637
Endowment management	16	0	362	378	517
Fundraising	206	1	112	319	274
Other	6	24	63	93	83
	3,822	408	3,350	7,580	7,465
Contribution under Statute XV				54	56
Total expenditure				7,634	7,521
Other operating expenses include auditors' remuneration: in respect of the audit of these financial statements				15	15

The above analysis includes expenditure out of support from the University from HEFCE funds amounting to £1,391,000 (2009: £1,315,000)

LINCOLN COLLEGE
Notes to the Financial Statements
Year ended 31 July 2010

7 SURPLUS FOR THE YEAR

	2010 £000	2009 £000
College's surplus for the year	354	566
Retained surplus within subsidiary undertaking	0	0
	<u>354</u>	<u>566</u>

8 TANGIBLE FIXED ASSETS

CONSOLIDATED

	Land & buildings		
	Freehold £000	Equipment £000	Total £000
Cost			
At start of year	16,000	794	16,794
Additions	233	155	388
Disposals	0	0	0
At end of year	<u>16,233</u>	<u>949</u>	<u>17,182</u>
Depreciation			
At start of year	2,056	396	2,452
Charge for period	324	84	408
Disposals	0	0	0
At end of year	<u>2,380</u>	<u>480</u>	<u>2,860</u>
Net book value			
At end of year	<u>13,853</u>	<u>469</u>	<u>14,322</u>
At start of year	<u>13,944</u>	<u>398</u>	<u>14,342</u>

COLLEGE

	Land & buildings		
	Freehold £000	Equipment £000	Total £000
Cost			
At start of year	16,000	794	16,794
Additions	233	155	388
Disposals	0	0	0
At end of year	<u>16,233</u>	<u>949</u>	<u>17,182</u>
Depreciation			
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At end of year	<u>2,380</u>	<u>480</u>	<u>2,860</u>
Net book value			
At end of year	<u>13,853</u>	<u>469</u>	<u>14,322</u>
At start of year	<u>13,944</u>	<u>398</u>	<u>14,342</u>

LINCOLN COLLEGE
Notes to the Financial Statements
Year ended 31 July 2010

9 FIXED ASSET INVESTMENTS

	CONSOLIDATED		COLLEGE	
	£000		£000	
At start of year	0		2	
Additions	<u>0</u>		<u>0</u>	
At start and end of year	<u>0</u>		<u>2</u>	
	CONSOLIDATED		COLLEGE	
	2010	2009	2010	2009
	£000	£000	£000	£000
Investments stated at cost				
Subsidiary undertakings	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>

The College owns 100% of the issued share capital of Lincoln College Enterprises Limited and Lincoln College Trading Limited, both of which are incorporated in England and Wales. The principal business activity of Lincoln College Enterprises Limited is the management of construction contracts on behalf of the College. Lincoln College Trading Limited now operates the College's taxable conference business.

10 ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED			COLLEGE		
	Securities & cash £000	Land & property £000	Total £000	Securities & cash £000	Land & property £000	Total £000
At market value						
At start of year	26,440	29,660	56,100	25,436	29,660	55,096
Purchases at cost	20,445	325	20,770	17,264	325	17,589
Sales proceeds	(18,033)	(1,174)	(19,207)	(16,797)	(1,174)	(17,971)
Increase/(decrease) in cash held by fund manager	3,805		3,805	(364)		(364)
Revaluation gains	2,058	1,784	3,842	2,181	1,784	3,965
At end of year	<u>34,715</u>	<u>30,595</u>	<u>65,310</u>	<u>27,720</u>	<u>30,595</u>	<u>58,315</u>
Analysed as						
Equities and similar funds	26,075			23,249		
Fixed interest securities (including cash funds)	1,849			1,849		
Unlisted securities	1,522			1,522		
Cash	5,269			1,100		
	<u>34,715</u>			<u>27,720</u>		
Historical cost at end of year	<u>28,119</u>			<u>25,222</u>		

Estates land and property valuations as at 31 July 2010 have been made by Laws & Fiennes, the College land agent, the basis of valuation being market.

LINCOLN COLLEGE
Notes to the Financial Statements
Year ended 31 July 2010

11 DEBTORS

	CONSOLIDATED		COLLEGE	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year				
Trade debtors	345	318	327	318
Amounts owed by College members	48	39	48	39
Amounts owed by group undertakings	0	0	107	0
Prepayments and accrued income	53	45	53	45
Amounts falling due after more than one year				
Loans	136	144	136	144
	<u>582</u>	<u>546</u>	<u>671</u>	<u>546</u>

12 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		COLLEGE	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade creditors	288	213	288	213
College Contribution	60	60	60	60
Amounts owed to group undertakings	0	0	44	5
Other taxation and social security	26	24	19	24
Accruals and deferred income	211	255	174	252
Other creditors	258	195	258	195
	<u>843</u>	<u>747</u>	<u>843</u>	<u>749</u>

13 DEFERRED CAPITAL

	CONSOLIDATED	COLLEGE
	£000	£000
At start of year	8,392	8,392
New capital	35	35
Released to income and expenditure account (note 2)	(186)	(186)
At end of year	<u>8,241</u>	<u>8,241</u>

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

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Year ended 31 July 2010

14 ENDOWMENTS

	CONSOLIDATED			COLLEGE		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
At start of year	16,422	39,678	56,100	15,418	39,678	55,096
Endowments received	699	3,976	4,675	699	842	1,541
Appreciation of endowment investments	1,270	2,572	3,842	1,186	2,779	3,965
Income receivable from endowment asset investments	153	1,850	2,003	146	1,850	1,996
Transferred to income and expenditure account (note 3)	(562)	(1,850)	(2,412)	(535)	(1,850)	(2,385)
Transfer to Lincoln 2027 Trust					(3,000)	(3,000)
Transfer from reserves (note 15)		1,102	1,102		1,102	1,102
At end of year	17,982	47,328	65,310	16,914	41,401	58,315

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

Specific Endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity. General Endowments represent the corporate capital of the College and include bequests and gifts where the use of the capital and income, or only the income, is for the general purposes of the College. Part of these funds may have been designated for a particular purpose by the Governing Body.

Specific endowments (consolidated and College) include funds valued at £59,000 (2009 £54,000) which provide income for purposes that lie outside the objects of the College. Income arising amounted to £1,000 (2009 £2,000).

15 RESERVES

GENERAL RESERVES

	CONSOLIDATED £000	COLLEGE £000
At start of year	7,351	7,351
Surplus from income and expenditure account	354	354
Transfer (to) endowment (note 14)	(1,102)	(1,102)
At end of year	6,603	6,603

	CONSOLIDATED		COLLEGE	
	2010 £000	2009 £000	2010 £000	2009 £000
Representing:				
Undepreciated cost of tangible fixed assets financed out of general reserve	6,081	5,950	6,081	5,950
College general reserve	522	1,401	522	1,401
	6,603	7,351	6,603	7,351

LINCOLN COLLEGE
Notes to the Financial Statements
Year ended 31 July 2010

16 CAPITAL COMMITMENTS
CONSOLIDATED AND COLLEGE

	2010 £000	2009 £000
Commitments contracted at 31 July	<u>0</u>	<u>0</u>

17 FINANCIAL COMMITMENTS

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

18 POST BALANCE SHEET EVENTS

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

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

	2010 £000	2009 £000
Surplus for the year	354	566
Depreciation	408	400
Endowment income and interest receivable	(2,421)	(2,722)
Release of deferred capital contributions	(186)	(185)
Decrease/(increase) in stocks	7	4
Decrease/(increase) in debtors	(36)	443
Increase in creditors	96	21
	<u>(1,778)</u>	<u>(1,473)</u>

20 ANALYSIS OF CHANGES IN NET FUNDS

	2010 £000	Changes £000	2009 £000
Cash at bank and in hand	653	(812)	1,465
Endowment assets cash	5,269	3,805	1,464
	<u>5,922</u>	<u>2,993</u>	<u>2,929</u>

21 CONTINGENT LIABILITIES

There are no material contingent liabilities at the balance sheet date (2009 nil).

22 RELATED PARTY TRANSACTIONS

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

23 PRIOR YEAR ADJUSTMENT

The treatment of the income and expenditure for the Oxford Opportunity Bursary Scheme has changed in the year. Having considered the matter the Governing Body believes the most appropriate treatment is to record the amounts received via Oxford University as 'income' and the amounts paid to students as 'expenses'. In previous year the income and expenditure was not shown separately. The comparatives have been amended to align the treatment with the current year and both the income and expenditure have increased by £112,000 but there is no effect on the 2009 surplus.