

**NEWNHAM COLLEGE  
CAMBRIDGE**

**Financial Statements  
for the Year Ended 30 June 2006**

# **NEWNHAM COLLEGE**

## **Financial Statements**

**for the Year Ended 30 June 2006**

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# NEWNHAM COLLEGE

## Financial Statements

### for the Year Ended 30 June 2006

#### Bursar's Report

The College's primary purpose is the provision of education, learning and support for research. There were 508 students at the College during the year, of whom 391 were undergraduates and 117 were graduates, 8 Professorial Fellows, 42 Teaching and Tutorial Fellows (most of whom were actively engaged in research) and 2 Research Fellows.

#### Financial Performance

This College, like most other Cambridge Colleges, runs at a deficit. For 2005-06 this amounted to £388,113. This position is a significant improvement on the previous year and is accounted for almost entirely by the cost of making prudent provision for depreciation of the tangible assets of the College (namely its buildings). The provision for depreciation is intended to build up funds for future major overhauls or replacements of buildings as and when they become necessary, as our recent experience with both the library and the Kitchens and Buttery serve to remind us certainly happens from time to time.

This deficit is offset by the exceptional item which shows a recovery of £1.3m of VAT relating to the Library project following the decision by the Court of Appeal in favour of the College. The appeal by HM Revenue and Customs will be heard in due course in the House of Lords.

The significant growth in income is accounted for largely by an exceptionally generous bequest and the success of other fundraising. These sums are transferred to Funds where they boost the Endowment and so, in due course, that ever more essential stream of income. But even when Bequests and Donations are set out of consideration, income showed welcome increases from both Academic fees and from Endowment income. The latter is due to recovery of investments in the stock market and from the steady success of funding-raising, especially in the form of bequests, over the years.

The increase in academic fees is the result in large part of renegotiation of the amount due to the colleges from the university and a return to the per capita funding system for publicly funded students. This includes the consequences of a change to the funding formula used by the Higher Education Funding Council (HEFCE), which for once went in our favour. The result is a most welcome, above inflation, rise (5.5%) in per capita payments in lieu of fees for publicly funded students for the first time in seven years. Even so, and after a 3% reduction in costs, College fee income in 2005-06 represented only 51% of the income needed to cover education costs with the remaining 49% made up from the Endowment. It is ironic that the traditional forms of Cambridge teaching and pastoral support are being brought under threat at the very time when they are most needed to support an increasingly heterogeneous intake, the result of the College's successful response to social and political pressures to widen and diversify its intake.

Income from accommodation, catering and conferences saw a small decline which reflects a combination of increased income from student rents of £59k (5%) and a gross decrease of in catering and conference sales of £75k (7.5%), largely attributable to the demolition and rebuilding of the Kitchen and Buttery, a project due to be completed in the spring of 2007. The temporary provisions have allowed College life to continue much as normal but they have inevitably failed to attract external business at the usual levels.

Spending on building maintenance accounted for £709k. This, together with expenditure on the Kitchen and Buttery beyond that financed by loan, approximates to the guide figure provided by the Royal Institute of Chartered Surveyors for prudent levels of spending to maintain historic buildings (1.8% of reinstatement costs, which are insured at £79m.). Building costs thus account for some 24% of total expenditures and are significant not only because they rise at a rate around 8-10% per annum but also because they generally attract VAT at 17.5% and are expenditures which are driven to some degree by factors outside the control of the College. In this respect there have been significant legislative and regulatory changes in respect of Health and Safety issues and the standards required of student accommodation. It is difficult to recover these costs even from rents and charges, where we have more control, than in other areas such as educational fees. But while the income available to students has been improved significantly, albeit for the most part in the form of loans, the measure of annual increase is based on retail price inflation (RPI) rather than the levels of inflation applicable in Colleges. As a consequence above inflation rises in rents and charges need to be accompanied by increased levels of bursaries to assist those students for whom

**NEWNHAM COLLEGE**  
**Financial Statements**  
**for the Year Ended 30 June 2006**

**Bursar's Report (continued)**

such levels of charges cause hardship. The College is making steady progress on both these fronts. Staff costs, which also tend to rise at a rate above RPI and which represent 47% of expenditure, have this year fallen by around £100k, but largely as a result of temporary vacancies.

**Benefactions and Donations**

The College continues to be extremely grateful for the generous and loyal support of its alumnae. The traditional system of intensive teaching in small groups, backed by strong pastoral support, is inadequately supported by fee income (over which the College has almost no control) and increasingly requires a strong Endowment to enable it to continue. In 2005/6 bequests received totalled £2m, all of which was transferred out of the Income and Expenditure Account to add to the Endowment funds. The second annual telephone campaign built on the success of the first with pledges received increasing to £230k. The total received in 2005/06 from the two telephone campaigns was £125k which makes a highly significant additional income stream. Overall receipts from development fundraising in 2005/6 rose from £268k to £440k and will help the College maintain its standards, particularly in regard to education and the provision of increased bursary support for students.

**Investment Performance**

The market value of the College's stock exchange portfolio increased by £4.6m to £46.2m. Revenue income rose 27% to £402k and the total return on investments was 13.2%. However, the large increase in investment income owes much to a single company which declared a special dividend of £163k. Several other companies have in the past year chosen to pass the benefit of excess funds to shareholders, in one way or another, as capital gains. This change in practice, together with the fact that many investment opportunities now have the aim of producing capital growth rather than revenue income, lie behind the College's decision to move to a Total Return policy from July 2006. In formulating its associated spending and saving rules, the College is taking great care to find a balance between a sustainable level of income and preserving the legacy value of the portfolio.

**Reserves**

The College's restricted funds rose £2.5m to £26m and unrestricted funds rose £5.7m to £71.1m during 2005/6. £34.8m of this is free reserves while £36.3m is the Revaluation Reserve representing the increased value of College property identified by a valuation in December 2003. Of the combined increase in reserves of £8.2m, rises in the value of investments provided £4.6m; bequests and donations added £2.3m; the surplus for the year added a further £930k; and the remaining £370k was the net addition to funds from investment income less expenditure.

**Capital Expenditure**

The major project to demolish and replace the College's main kitchens and Buttery made excellent progress during the year, with further expenditure of £2.46m. Of this £1.7m was funded by drawings on a bank loan facility of £6m. It was decided to borrow over 25 years rather than sell investments to fund the project on the view that the return on the investments over this period should more than provide for the interest and repayment costs of the loan. Interest on this loan has been capitalised onto the cost of the project during the period of construction.

**Risk Management**

The College maintains a strong system of financial and management controls. The detailed estimates for the year ahead and a rolling five year forecast are scrutinised by the Finance Committee prior to consideration and approval by the College Council in June each year. Monthly departmental management accounts are produced including comparison of budget with actual for each cost centre. Revised Forecasts of Outturn are produced mid-year to allow for an overall review of the progress of each year's finances. The College, though its senior management and committees reporting to the College Council, is active in identifying, reviewing and documenting its exposure to other major risks with a view to eliminating, reducing and/or controlling them.

Mr I. M. Le M, Du Quesnay (Bursar)

29th October 2006

# **NEWNHAM COLLEGE**

**For the year ended 30 June 2006**

## **Responsibilities of the College Council**

In accordance with the College's Statutes, the College Council 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, which appoints the auditors, receives the audited financial statements from the Council.

In causing the financial statements to be prepared, the College Council 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;

The College Council is satisfied that the College has adequate resources to continue in operation for the foreseeable future. The financial statements are accordingly prepared on a going concern basis.

The College Council 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.

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

# NEWNHAM COLLEGE

## Auditors' Report to the Governing Body of Newnham College, Cambridge

We have audited the financial statements of the College for the year ended 30 June 2006 on pages 9 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain investment assets, and the accounting policies set out on pages 6 to 8.

This report is made solely to the College's Governing Body as a body in accordance with the College's statutes and statutes of the University of Cambridge. Our work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's 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 Governing Body for our audit work for this report, or for the opinions we have formed.

### Respective Responsibilities of the College's Council and auditors

As described in the Statement of Responsibilities, the College Council is responsible for the preparation of financial statements in accordance with the applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards in 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 accounting policies set out therein, with the provision of the Statutes of the College and with the Statutes of the University of Cambridge.

We also report if, in our opinion, the College has not kept proper accounting records, or if we have not received the information and explanations we require for our audit.

We are required to consider whether the statement in the Bursar's Report concerning the major risks to which the College is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the College's risk management and control procedures.

We read the information contained in the Bursar's Report 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 within it. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards in Auditing (UK and Ireland) issued by the Auditing Practices Board and Audit Code of Practice issued by the Higher Education Funding Council for England. 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 College Council 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 the contribution due from the College to the University has been correctly computed in accordance with the provision of Statute G II of the University of Cambridge and in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for England during the year ended 30 June 2006 has been applied to the purposes for which it was received.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 30 June 2006 and of its results for the year then ended; and
- have been properly prepared in accordance with the accounting policies set out therein and the Statutes of the College and of the University of Cambridge.

### Prentis & Co

Chartered Accountants and Registered Auditors      8<sup>th</sup> November 2006  
115c Milton Road, Cambridge CB4 1XE

**NEWNHAM COLLEGE**  
**for the year ended 30 June 2006**

**Statement of Principal Accounting Policies**

**(i) Basis of preparation**

The accounts have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable Accounting Standards.

In addition, the financial statements comply with the Statement of Recommended Practice "Accounting for Further and Higher Education Institutions" (the SORP) with the exception of the Balance Sheet which has been presented in the different format set out in the relevant sections of Statutes and Ordinances of the University of Cambridge (RCCA). The provisions of the SORP require Endowments, Deferred Grants and Revaluation Reserves to be disclosed on the face of the Balance Sheet, whereas RCCA requires that part of this information be disclosed in the notes to the accounts.

**(ii) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets and certain land and buildings.

**(iii) Exemption from consolidation**

The College has three wholly owned subsidiary companies. These financial statements contain information about Newnham College only and not about its group. The basis for exemption is that the group has gross income of less than £10m and employs less than 250 staff and therefore would qualify as a medium sized group under the Companies Act 1985 s.248. The activities of student societies have also not been consolidated.

**(iv) Recognition of income**

Donations and bequests accepted on condition that only the income may be spent are credited to the balance sheet as permanent capital funds. The income from a permanent capital fund is shown as income in the year that it is receivable. All income from short-term deposits and the investment of unrestricted funds is credited to the Income and Expenditure Account on a receivable basis. Unrestricted funds and bequests received are designated as capital or as income in the year of receipt by Council.

**(v) Pension schemes**

The College participates in the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS). These are both defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

**NEWNHAM COLLEGE**  
**for the year ended 30 June 2006**  
**Statement of Accounting Policies - continued**

**(vi) Tangible fixed assets**

**a. Land and buildings**

The land comprising the College's main site has not been included in the balance sheet. The buildings on the College's main site have been treated as tangible fixed assets and valued on the basis of their depreciated replacement cost. The valuation on 31 December 2003 was carried out by Gerald Eve, Chartered Surveyors. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 100 years. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to a deferred capital account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to the Balance Sheet date. They are not depreciated until they are brought into use.

**b. Maintenance of premises**

The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred. The College also sets aside sums to meet major maintenance costs which occur on an irregular basis. These are disclosed as designated funds.

**c. Furniture, fittings and equipment**

Furniture, fittings and equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
Major Computer Software	10% per annum
Computer equipment	25% per annum

Where equipment is acquired with the aid of specific bequests or donations the income is credited to a deferred capital account and income released to the Income and Expenditure Account over the same period of depreciation as the furniture or equipment to which it relates.

**d. Rare books, silver, works of art and other assets not related to education**

All these assets are deemed to be inalienable and are not included in the balance sheet.



# NEWNHAM COLLEGE

for the year ended 30 June 2006

## Statement of Accounting Policies - continued

### **(vii) Investments**

Stock Exchange investments are included in the balance sheet at market value. All College properties off the main site are treated as investment assets and shown as estate properties. They are valued at market value once every five years by a professional valuer (Gerald Eve) and revalued on the balance sheet accordingly.

### **(viii) Stocks**

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

### **(ix) 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 amount of the obligation.

### **(x) 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 or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### **(xi) Taxation**

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the 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.

### **(xii) Contribution under Statute G,II**

The College is liable to be assessed for Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants.

### **(xiii) Reserves**

These accounts distinguish from each other those reserves and funds received which are:

- Permanent Capital (which the College cannot spend but can only use the income generated) rather than Expendable capital;
- Restricted Reserves (which have a requirement by the donor that they be only used for a specific purpose) and Unrestricted Reserves;
- Designated Funds (which the College Council has decided should be used for a particular purpose) and Undesignated Funds.

# NEWNHAM COLLEGE

## Income and Expenditure Account for the Year Ended 30 June 2006

		2005/06 £	2004/05 £
<b>INCOME</b>	Note		
Academic Fees and Charges	1	1,625,712	1,508,659
Residences, Catering, and Conferences	2	2,153,811	2,170,059
Endowment Income	3	4,340,990	2,715,934
Other Charges and Income	4	157,916	181,287
Total Income		<u>8,278,429</u>	<u>6,575,940</u>
<b>EXPENDITURE</b>			
Education	5	3,019,120	3,113,198
Residences, Catering and Conferences	6	2,679,244	2,780,403
Other	7	145,545	134,870
Total Expenditure		<u>5,843,909</u>	<u>6,028,472</u>
Operating Surplus		2,434,520	547,469
Release of Capital Grants from Deferred Capital Reserve		49,075	48,180
Contribution to Colleges Fund Under Statute G,II	10	(50,864)	(10,929)
<b>NET SURPLUS before transfers</b>		<u>2,432,731</u>	<u>584,720</u>
Transfers to Reserves and Funds		(4,562,221)	(2,919,946)
Transfers from Reserves and Funds		1,741,378	1,868,126
<b>NET DEFICIT before exceptional item</b>		<u>(388,113)</u>	<u>(467,100)</u>
Exceptional Item			
VAT recovered on Library works charged in previous years to revenue	22	1,318,507	-
<b>NET SURPLUS / (DEFICIT) TO General Capital</b>		<u>930,394</u>	<u>(467,100)</u>

# NEWNHAM COLLEGE

## Statement of Total Recognised Gains and Losses

for the Year Ended 30 June 2006

	Restricted Funds £	Unrestricted Funds		Total 30 June 06 £	Total 30 June 05 £
		Designated Funds £	Undesignated Funds £		
Balance as previously stated					84,531,344
Prior year adjustment re pension deficit					(314,342)
Balance brought forward 1 July	23,474,752	3,443,570	61,944,599	88,862,921	84,217,002
Appreciation of Investment Assets	1,972,569	370,325	2,245,175	4,588,069	4,282,231
Funds designated for pension deficit	-	479,684	(479,684)	-	-
Actuarial loss on CCFPS pension deficit provision	-	-	(25,831)	(25,831)	(160,148)
Capital donations for Library project put to Deferred Capital Reserve	26,141	-	-	26,141	46,533
Capital Grant from Colleges Fund	-	-	-	-	-
Transfers	576,569	36,831	2,194,804	2,808,204	992,583
Retained Income and Expenditure Account surplus / (deficit) for the year	-	-	930,394	930,394	(467,100)
Release of capital grants from Deferred Capital Reserve to I&E Account	(49,075)	-	-	(49,075)	(48,180)
<b>Total Recognised Gains / (Losses) for the Year</b>	<b>2,526,204</b>	<b>886,840</b>	<b>4,864,858</b>	<b>8,277,902</b>	<b>4,645,919</b>
Balance carried forward at 30 June	<b>26,000,956</b>	<b>4,330,410</b>	<b>66,809,457</b>	<b>97,140,823</b>	<b>88,862,921</b>

# NEWNHAM COLLEGE

## Balance Sheet

At 30 June 2006

	Note		2005/06 £	2004/05 £	
<b>FIXED ASSETS</b>	11				
Tangible Assets			46,113,185	44,088,902	
Investments			52,640,439	46,199,067	
			<u>98,753,624</u>	<u>90,287,969</u>	
<b>CURRENT ASSETS</b>					
Stock	12	135,768	135,748	135,748	
Debtors	13	958,666	344,947	344,947	
Cash		149,570	187,610	187,610	
		<u>1,244,004</u>	<u>668,305</u>		
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts Falling Due Within One Year	14	(734,491)	(1,628,361)		
<b>Net Current Assets/(Liabilities)</b>			<u>509,513</u>	<u>(960,056)</u>	
<b>Total Assets less Current Liabilities</b>			<u>99,263,137</u>	<u>89,327,913</u>	
<b>Creditors: Amounts Falling Due In More     Than One Year</b>	15		(1,700,000)	-	
<b>Pension Liability</b>	21		(422,314)	(464,992)	
<b>NET ASSETS</b>			<u><u>97,140,823</u></u>	<u><u>88,862,921</u></u>	
<b>CAPITAL AND RESERVES</b>	19	<b>Expendable Capital Funds £</b>	<b>Permanent Capital Funds £</b>	<b>Total 2005/06 £</b>	<b>Total 2004/05 £</b>
Restricted Funds held for:					
Collegiate Purposes		7,891,788	16,441,251	24,333,039	21,963,314
Non-Collegiate Purposes		26,165	1,641,751	1,667,916	1,505,729
		<u>7,917,953</u>	<u>18,083,002</u>	<u>26,000,955</u>	<u>23,469,043</u>
Unrestricted Funds:					
Designated		3,943,329	387,081	4,330,410	3,445,242
Undesignated		49,995,770	16,813,688	66,809,458	61,948,636
		<u>53,939,099</u>	<u>17,200,769</u>	<u>71,139,868</u>	<u>65,393,878</u>
<b>TOTAL</b>		<u><u>61,857,052</u></u>	<u><u>35,283,771</u></u>	<u><u>97,140,823</u></u>	<u><u>88,862,921</u></u>

These financial statements were approved by Newnham College Council on 29th October 2006 and signed on its behalf by:

Dame Patricia Hodgson (Principal)

Mr Ian M. Le M. Du Quesnay (Bursar)

# NEWNHAM COLLEGE

## Cash Flow Statement

for the Year Ended 30 June 2006

	2005/06 £	2004/05 £
<b>Reconciliation of operating deficit to net cash inflow from operating activities</b>		
Operating Surplus / (Deficit)	930,394	(467,100)
Add: Depreciation	439,161	439,161
Capital Grants released in year	(49,075)	(48,180)
Surplus on sale of investment assets	(5,250)	(58,193)
Transfers	2,808,203	992,583
Actuarial loss on pension provision	(25,831)	(160,148)
Investment income and interest received	(1,620,883)	(1,218,079)
(Increase) / Decrease in Stocks	(20)	(11,951)
(Increase) / Decrease in Debtors	(613,719)	263,633
Increase / (Decrease) in Creditors	(893,870)	233,270
Increase / (Decrease) in Pension Liability	(42,678)	150,650
Net Cash (Outflow) / Inflow from Operating Activities	<u>926,432</u>	<u>115,646</u>

### CASH FLOW STATEMENT

Net Cash (Outflow) / Inflow from Operating Activities	926,432	115,646
<b>Returns on Investments and Servicing of Finance</b>		
Investment Income	1,619,736	1,217,286
Interest Received	1,147	793
Interest Paid	-	-
<b>Net cash inflow from returns on investment</b>	<u>1,620,883</u>	<u>1,218,079</u>
<b>Capital Expenditure and Financial Investment</b>		
Receipts from sale of investment properties	5,250	208,192
Receipts from capital donations to Library project	26,141	46,533
Expenditure on tangible fixed assets	(2,463,444)	(963,083)
Expenditure on investment assets	(1,853,304)	(473,190)
<b>Net Cash Outflow from capital transactions</b>	<u>(4,285,357)</u>	<u>(1,181,548)</u>
<b>Financing</b>		
Long term loans received	1,700,000	-
<b>Increase / (Decrease) in Cash in the year</b>	<u>(38,042)</u>	<u>152,178</u>

### Reconciliation of net cash flow to movement in net liquid assets

Increase in Cash in the year	(38,042)	152,178
Net liquid funds brought forward at 1 July	187,610	35,432
Net liquid funds carried forward at 30 June	<u>149,568</u>	<u>187,610</u>

# NEWNHAM COLLEGE

## Notes to the Accounts

At 30 June 2006

### 1. ACADEMIC FEES AND CHARGES

	2005/06 £	2004/05 £
<b>COLLEGE FEES</b>		
Fee Income paid on behalf of Undergraduates eligible for Student Support (per Capita Fee £3,226; 2004/5 £2,888)	1,123,587	1,064,844
Other Undergraduate Fee Income (per Capita Fee £3,561; 2004/5 £3,408)	183,305	158,037
Graduate Fee Income (per Capita Fee £1,995; 2004/5 £1,950)	227,036	181,870
	<u>1,533,928</u>	<u>1,404,751</u>
Teaching Grants	28,289	24,483
Recoveries from other Colleges	57,341	71,567
Other Fees and Charges	6,154	7,858
	<u>1,625,712</u>	<u>1,508,659</u>
<b>Total</b>	<b><u>1,625,712</u></b>	<b><u>1,508,659</u></b>

### 2. RESIDENCES, CATERING, AND CONFERENCES INCOME

	2005/06 £	2004/05 £
Accommodation		
College Members	1,231,257	1,172,198
Conferences	185,932	211,776
Catering		
College Members	469,301	485,880
Conferences	101,420	134,365
Rents from College Subsidiaries	165,900	165,840
	<u>2,153,811</u>	<u>2,170,059</u>
<b>Total</b>	<b><u>2,153,811</u></b>	<b><u>2,170,059</u></b>

### 3. ENDOWMENT INCOME

	Restricted Funds £	Unrestricted Funds £	2005/06 Total £	2004/05 Total £
<u>Income from:</u>				
Freehold Land and Buildings	-	197,970	197,970	182,707
Property Investment Fund	-	84,564	84,564	82,315
Quoted Securities	725,550	869,981	1,595,531	1,212,065
Cash	9,586	11,495	21,081	19,438
Donations and Bequests	292,361	2,149,483	2,441,844	1,219,409
	<u>1,027,498</u>	<u>3,313,493</u>	<u>4,340,990</u>	<u>2,715,934</u>

### 4. OTHER INCOME

	2005/06 £	2004/05 £
College Events	28,186	29,859
Non-Collegiate income	28,542	13,962
Surplus on Disposal of Property	5,250	58,193
Sundry charges and other income	95,939	79,273
	<u>157,916</u>	<u>181,287</u>
<b>Total</b>	<b><u>157,916</u></b>	<b><u>181,287</u></b>

## Notes to the Accounts - continued

### 5. EDUCATION EXPENDITURE

	2005/06 £	2004/05 £
Teaching	1,622,223	1,702,687
Tutorial	511,453	500,396
Admissions	225,758	217,903
Research	257,090	290,919
Scholarships and Awards	203,185	201,450
Other Educational Facilities	199,410	199,843
<b>Total</b>	<b><u>3,019,120</u></b>	<b><u>3,113,198</u></b>

### 6. RESIDENCES, CATERING, AND CONFERENCES EXPENDITURE

	2005/06 £	2004/05 £
Accommodation	2,005,763	2,055,307
College Members Conferences	24,775	26,920
Catering	648,706	698,176
<b>Total</b>	<b><u>2,679,244</u></b>	<b><u>2,780,403</u></b>

### 7. OTHER EXPENDITURE

	2005/06 £	2004/05 £
Treasury and Investment Administration	30,292	25,545
Estates costs	36,617	18,781
Charitable Donations	1,584	1,827
Fellowship costs	9,950	8,782
Non-Collegiate expenditure	67,103	79,935
<b>Total</b>	<b><u>145,545</u></b>	<b><u>134,870</u></b>

### 8. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs (Note 9) £	Other Operating Expenses £	Depreciation £	2005/06 Total £	2004/05 Total £
Education (Note 5)	1,366,838	1,527,002	125,280	3,019,120	3,113,198
Residences, Catering & Conferences (Note 6)	1,181,395	1,183,968	313,881	2,679,244	2,780,403
Other (Note 7)	18,135	127,410		145,545	134,870
	<b><u>2,566,368</u></b>	<b><u>2,838,380</u></b>	<b><u>439,161</u></b>	<b><u>5,843,909</u></b>	<b><u>6,028,472</u></b>
Including: Auditors Fees - as auditors				8,300	8,500
- for other work				-	-
Cost of Fundraising				179,311	171,851

### 9. STAFF AND FELLOWS

	College Fellows 2005/06 £	Academics 2005/06 £	Non - Academics 2005/06 £	Total 2005/06 £	Total 2004/05 £
<b>Staff Costs *</b>					
Emoluments	529,814	39,639	1,593,168	2,162,621	2,204,108
Social Security Costs	36,366	2,819	117,256	156,441	164,367
Other Pension Costs	61,614	3,401	182,291	247,306	295,490
	<b><u>627,794</u></b>	<b><u>45,859</u></b>	<b><u>1,892,715</u></b>	<b><u>2,566,368</u></b>	<b><u>2,663,965</u></b>

\* No officer or employee of the College, including the Head of House, received emoluments of over £70,000

#### Average Staff Numbers

Academic	43	4	-	47	48
Non-Academics	-	-	89	89	87
	<b><u>43</u></b>	<b><u>4</u></b>	<b><u>89</u></b>	<b><u>136</u></b>	<b><u>135</u></b>
Fellows - full time stipendary	12		full time		
Fellows - part time stipendary	32		equivalents		
Fellows - non-stipendary	25				

## Notes to the Accounts - continued

10. CONTRIBUTION TO COLLEGES FUND UNDER UNIVERSITY STATUTE G II	2005/06			2004/05
	£			£
Endowment Income as per Income and Expenditure Account	4,340,990			2,715,934
Add: Internal Interest Transfer	33,988			16,810
Less costs	(213,543)			(170,325)
	<u>4,161,435</u>			<u>2,562,419</u>
Less: Items not Assessable to Contribution:				
Donations and Bequests	2,441,844			1,219,409
Income of Funds held for non-Collegiate purposes	56,006			55,691
Assessable Income	<u>1,663,585</u>			<u>1,287,319</u>
Less: Deductible Items	855,585			923,028
Net Assessable Income	<u>808,000</u>			<u>364,292</u>
Contribution Payable @ 2% (2004/5: 3%)	5,000			10,929
@ 7% on remainder	39,060			
	<u>44,060</u>			<u>10,929</u>
Adjustment for prior years understated contributions	6,804			
	<u>50,864</u>			
<b>ASSESSABLE INCOME</b>				
External Revenue				
Rents from College Estates	197,970			182,707
Dividends from Property Investments Fund	84,564			82,315
Dividends and Interest	393,920			439,111
	<u>676,454</u>			<u>704,133</u>
Less Costs:				
Professional fees and other property running costs	36,617			18,781
Management Costs	30,878			25,545
Insurance and Rates	67,395			70,039
Interest Payments	33,988			16,810
Transfer to Estates Repairs Fund	44,665	213,543	39,150	170,325
	<u>462,911</u>			<u>533,808</u>
General Reserve	17,899			19,360
Consolidated Investment Income Reserve	6,846			10,595
Amalgamated Trust and Special Fund	880,971			845,396
Amalgamated Building and Repair Reserves	16,588			19,983
Rosalind Franklin Building Sinking Reserve	23,371			20,645
Transfer to Cons Inv Income Fund	311,005			
Income from Trust and Other Funds subject to Contribution	<u>1,256,680</u>			<u>915,979</u>
Less: Trust and Other Funds not subject to Contribution	56,006			55,691
Transfer from Consolidated Investment Income Reserve	-	1,200,674	106,777	753,511
Net Assessable Income	<u>1,663,585</u>			<u>1,287,319</u>
<b>DEDUCTIBLE ITEMS</b>		<u>University Statute</u>		
Sinking Fund transfers and income		GII 4(iv)	89,569	85,165
Half sum paid to Scholars and Research Students		GII 4(iv)	59,529	64,364
Prizes		GII 4(vi)	10,987	10,825
Building Maintenance (per capita)		GII 4(vii)	150,250	154,250
Student Medical Counselling and Childcare Services		GII 4(xii)	14,002	16,020
Donations for University Purposes		GII 4(xii)	200	200
College Teaching Officers Additional Stipends		GII 4(xix)	220,074	250,173
Net Expenditure on Library Services		GII 4(xvii)	207,151	207,572
Expenditure on College Library Maintenance		GII 4(xvii)	12,814	3,498
Expenditure on Temporary Library		GII 4(xvii)	10,248	16,707
College Research Fellows		GII 4(xviii)	41,393	73,044
College Archives		GII 4(xxiii)	39,368	41,210
	<u>855,585</u>			<u>923,028</u>



## Notes to the Accounts - continued

### 11. FIXED ASSETS

#### Tangible Assets

	College Buildings £	Information Technology £	2005/06 Total £	2004/05 Total £
<b>COST/VALUATION</b>				
At 30 June 2005	45,233,083	51,237	45,284,320	44,321,237
Additions	2,463,444	-	2,463,444	963,083
Revaluation During the Year	-	-	-	-
At 30 June 2006	<u>47,696,527</u>	<u>51,237</u>	<u>47,747,764</u>	<u>45,284,320</u>
<b>DEPRECIATION</b>				
At 30 June 2005	1,167,250	28,168	1,195,418	756,257
Provided for the year	429,150	10,011	439,161	439,161
At 30 June 2006	<u>1,596,400</u>	<u>38,179</u>	<u>1,634,579</u>	<u>1,195,418</u>
<b>Net Book value</b>				
At 30 June 2006	<u>46,100,127</u>	<u>13,058</u>	<u>46,113,185</u>	<u>44,088,902</u>
At 30 June 2005	<u>44,065,833</u>	<u>23,069</u>	<u>44,088,902</u>	<u>43,564,980</u>

The Freehold Buildings at 30 June 2006 were insured at reinstatement costs of £79,006,000

<u>Investment Assets</u>	Securities and Cash	Property	Subsidiary Companies	2005/06 £	2004/05 £
At 30 June 2005	41,574,160	4,244,900	380,006	46,199,066	41,593,647
Additions	1,315,248	538,056	-	1,853,304	473,190
Disposals	-	-	-	-	(150,000)
Appreciation on Disposals or Revaluation	4,588,069	-	-	4,588,069	4,282,230
At 30 June 2006	<u>47,477,477</u>	<u>4,782,956</u>	<u>380,006</u>	<u>52,640,439</u>	<u>46,199,067</u>

Represented by:

Estate Properties	4,782,956	4,244,900
Quoted Securities - Equities	40,330,757	35,734,735
Quoted Securities - Fixed Interest	5,182,825	5,001,034
Unquoted	40,244	-
Cash Held For Reinvestment	1,923,651	838,392
Investment in Subsidiary Companies	380,006	380,006
	<u>52,640,439</u>	<u>46,199,067</u>

The valuation of College buildings and investment properties at 31 December 2003 was carried out by Gerald Eve, Chartered Surveyors on the basis of market value for existing use, plus current gross replacement costs of improvements, less allowance for physical deterioration and obsolescence. The stock exchange investments were valued at mid-market price at the Balance Sheet dates.

The College has three subsidiary companies, all wholly owned by the College and registered in the UK:

Activity	Level of Reserves		
	2005/06 £	2004/05 £	
Newnham College Limited	Sale of College memorabilia	893	(875)
Newnham College Management Limited	Management of Construction Projects	35,371	10,845
Newnham College Library Co Limited	Provision of Library Services	368,103	350,380

## Notes to the Accounts - continued

<b>12. STOCK</b>	<b>2005/06</b>	<b>2004/05</b>
	£	£
Food and Drink	9,753	11,579
Wine	112,179	104,518
Linen, Cleaning Materials and Other	13,836	19,652
	<u><b>135,768</b></u>	<u><b>135,749</b></u>

<b>13. DEBTORS</b>	<b>2005/06</b>	<b>2004/05</b>
	£	£
Taxes due from Government Departments	449,251	14,585
Due from Subsidiary Companies	121,601	13,529
Trade Debtors	176,585	106,716
Sundry Debtors and Prepayments	211,229	210,117
	<u><b>958,666</b></u>	<u><b>344,947</b></u>

<b>14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2005/06</b>	<b>2004/05</b>
	£	£
Trade Creditors	301,165	342,592
Potential VAT liability	-	893,099
Due to Subsidiary Companies	93,723	95,491
Taxes and social security costs	54,861	57,130
Accruals and Sundry Creditors	284,742	240,049
	<u><b>734,491</b></u>	<u><b>1,628,361</b></u>

<b>15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>2005/06</b>	<b>2004/05</b>
	£	£
Bank Loan	<u><b>1,700,000</b></u>	<u><b>-</b></u>

The bank loan is secured on certain College freehold properties and is subject to interest fixed under a swap agreement at 5.24% for 25 years from 2007. Repayments will not commence until July 2007 and will be made over the 25 years to June 2032.

<b>16. RELATED PARTY TRANSACTIONS</b>	<b>2005/06</b>	<b>2004/05</b>
	£	£
The following transactions took place during the year between the College and its subsidiaries		
Newnham College Limited		
Sales and charges by the College to the Company	2,930	2,829
Purchases by the College from the Company	1,123	856
Outstanding Debt due to / (from) the Company at the balance sheet date	(14,730)	(13,529)
Newnham College Management Limited		
Sales and charges by the College to the Company	19,463	529,352
Purchases by the College from the Company	2,415,336	963,083
Gift to the College by the Company	5,200	
Outstanding Debt due to / (from) the Company at the balance sheet date	(106,871)	37,086
Newnham College Library Co Limited		
Sales and charges by the College to the Company	304,630	218,056
Purchases by the College from the Company	378,907	378,684
Outstanding Debt due to / (from) the Company at the balance sheet date	93,723	58,405

Owing to the nature of the College's operations and the composition of the College Council and Governing Body it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the College Council or Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures

## 17. CAPITAL COMMITMENTS

At 30 June 2006 the College had the following capital commitments not provided for in these accounts:

- contracted for	£4,722,471	£801,359
- not yet contracted for	£163,957	£6,748,814

## 18. FINANCIAL COMMITMENTS

At 30 June 2006 and 30 June 2005 the College had no annual commitments under non-cancellable operating leases.

## Notes to the Accounts - continued

### 19. CAPITAL AND RESERVES

	Expendable Capital Fund £	Permanent Capital Fund £	Total 2005/06 £	Total 2004/05 £
<b>Restricted Funds:</b>				
Funds for Collegiate Purposes	3,168,287	16,441,251	19,609,538	17,216,877
Funds for Non-Collegiate Purposes	26,165	1,641,751	1,667,916	1,505,729
Deferred Capital Funds	4,723,501	-	4,723,501	4,746,437
	<b>7,917,953</b>	<b>18,083,002</b>	<b>26,000,955</b>	<b>23,469,043</b>
<b>Unrestricted Funds:</b>				
<u>Designated Funds:</u>				
Funds for Collegiate Purposes	3,266,031	387,081	3,653,112	2,920,413
Funds for Non-Collegiate Purposes	86,072	-	86,072	77,747
Amalgamated Building & Maintenance Funds	591,226	-	591,226	447,082
	<b>3,943,329</b>	<b>387,081</b>	<b>4,330,410</b>	<b>3,445,242</b>
<u>Undesignated Funds:</u>				
Corporate Capital	-	15,906,771	15,906,771	14,914,506
Building Sinking Fund	-	906,917	906,917	733,812
Revaluation Reserve (note 20)	36,355,211	-	36,355,211	36,355,211
Donations & Benefactions	8,712,826	-	8,712,826	5,941,890
Revenue Reserve	575,569	-	575,569	562,001
General Capital	4,352,164	-	4,352,164	3,441,216
	<b>49,995,770</b>	<b>16,813,688</b>	<b>66,809,458</b>	<b>61,948,636</b>
	<b>61,857,052</b>	<b>35,283,771</b>	<b>97,140,823</b>	<b>88,862,921</b>

#### Reconciliation of Movement in Capital and Reserves:

	<u>Restricted Reserves</u>		<u>Unrestricted Reserves</u>				Total 2005/06 £	Total 2004/05 £
	Expendable Capital Fund £	Permanent Capital Fund £	<u>Designated Reserves</u>		<u>Undesignated Reserves</u>			
			Expendable Capital Fund £	Permanent Capital Fund £	Expendable Capital Fund £	Permanent Capital Fund £		
At 30 June 2005	7,372,111	16,096,932	3,101,013	344,229	46,765,310	15,648,318	89,327,913	84,066,352
Increase in Year	545,842	1,986,070	842,316	42,852	3,230,460	1,165,370	7,812,910	4,796,569
At 30 June 2006	<b>7,917,953</b>	<b>18,083,002</b>	<b>3,943,329</b>	<b>387,081</b>	<b>49,995,770</b>	<b>16,813,688</b>	<b>97,140,823</b>	<b>88,862,921</b>

#### Capital is invested in the following categories of assets

Tangible Fixed Assets	4,723,501	-	-	-	39,376,156	2,013,528	46,113,185	44,088,902
Investment Assets	2,930,200	17,909,115	3,533,490	382,970	12,598,036	15,286,628	52,640,439	46,199,063
Net Current Assets	264,252	173,887	409,839	4,111	143,892	(486,468)	509,513	(960,052)
Long term liabilities	-	-	-	-	(1,700,000)	-	(1,700,000)	-
Pension Liability	-	-	-	-	(422,314)	-	(422,314)	(464,992)
Total at 30 June 2005	<b>7,917,953</b>	<b>18,083,002</b>	<b>3,943,329</b>	<b>387,081</b>	<b>49,995,770</b>	<b>16,813,688</b>	<b>97,140,823</b>	<b>88,862,921</b>

### 20. REVALUATION RESERVE

The Undesignated Reserves in note 19 include revaluation reserve in respect of tangible fixed assets as follows:

	2005/06 £	2004/05 £
Value of College buildings in excess of book cost		
<b>Balance brought forward 1 July</b>	36,355,211	36,355,211
<b>Balance carried forward 30 June</b>	<b>36,355,211</b>	<b>36,355,211</b>

# NEWNHAM COLLEGE

## 21. PENSION SCHEMES

### (a) Universities Superannuation Scheme

The institution participates in the University Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme as required by FRS 17: 'Retirement Benefits'. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2005. The assumptions which have the most significant effect on the result of the valuation are those related to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover only 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement's prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula, as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries but it was agreed that the institution contribution rate would be maintained at 14%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006 USS positioned itself as a 'last person standing' scheme, so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which can not otherwise be recovered) in respect of that employer will be spread across the remaining employers and reflected in the next actuarial valuation of the scheme. The next formal actuarial valuation is due as at 31st March 2008 when the above rates will be reviewed as part of each valuation

The total pension cost for the College was £119,755 (2004/5 £117,755). This includes outstanding contributions of £NIL at the balance sheet dates. The contribution rate payable by the institution was 14% of pensionable salaries.

### (b) Cambridge Colleges Federated Pension Scheme

The College is a member of a defined benefit scheme, the Cambridge Colleges' Federated Pension Scheme, in the United Kingdom. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The College's employees covered by the Scheme are contracted-out of the State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS). The College decided to close its scheme membership to new entrants with effect from January 2004. The date of the most recent full actuarial valuation, on which the amounts in these notes to the financial statements are based, was as at 31 March 2005. These FRS17 valuation results use the same valuation data updated at 31 March 2006 by an Actuary who is not an employee or officer of the College and/or its subsidiaries. A valuation taken at 31 March 2006 has been used as the College considers there is not a material movement between that date and 30 June 2006.

At the last Minimum Funding Requirement valuation at 31 March 2005 there was a deficit of £254,580. The contribution made by the College in respect of the accounting period ended 30 June 2006 was £186,676 (2005: £155,084) excluding Personal Health Insurance contributions.

# NEWNHAM COLLEGE

## Notes to the Accounts - continued

### 21 (b) Cambridge Colleges Federated Pension Scheme (continued)

The major assumptions used by the Actuary were:	2006	2005	2004
Discount rate	4.9%	5.4%	5.8%
Inflation assumption	3.0%	3.0%	3.1%
Rate of increase in salaries	3.75%	3.75%	3.5%
Rate of increase in pensions in deferment:			
- Guaranteed Minimum Pension (GMP)	3.75%	3.75%	3.5%
- Excess pension over GMP and pension accrued after 5 April 1997	3.0%	3.0%	3.1%
Rate of increase in pensions in payment:			
- GMP accrued up to 5 April 1988	0.0%	0.0%	0.0%
- GMP accrued between 6 April 1988 and 5 April 1997	2.25%	2.25%	2.3%
- Excess pension over GMP and pension accrued after 5 April 1997	3.0%	3.0%	3.1%

In addition, standard actuarial mortality tables were used in the actuarial valuation prepared for the trustees. A lower discount rate was used due to the lower gross redemption yields on bonds.

The assets in the scheme and the expected rates of return are:

Long-term rate of return expected at 30 <sup>th</sup> June 2006:	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	Rate	Value	Rate	Value	Rate	Value
	%	£	%	£	%	£
Equities	7.5	1,338,324	8.0	1,096,250	8.0	899,540
Bonds (Including cash)	4.3	633,972	4.7	411,942	4.5	468,486
Property	6.5	<u>56,749</u>	6.5	<u>46,484</u>	7.0	<u>104,294</u>
		<u>2,029,045</u>		<u>1,554,676</u>		<u>1,472,320</u>

The Scheme administrators provided asset values and the overall Scheme cash details.

### The following results were measured in accordance with the requirements of FRS17:

(see tables below and movement in deficit for the year)

	2006	2005	2004
	£	£	£
Total market value of assets	2,029,045	1,554,676	1,472,320
Present value of scheme liabilities	<u>(2,451,359)</u>	<u>(2,019,668)</u>	<u>1,786,662</u>
(Deficit) in scheme	<u>(422,314)</u>	<u>(464,992)</u>	<u>(314,342)</u>

The improvement in the scheme deficit is better than expected returns on investments and higher employer contributions which were partially offset by a lower assumed discount rate.

	2006	2005
	£	£
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	(103,514)	(77,413)
Life assurance premium	(10,920)	(10,252)
Past service cost	<u>0</u>	<u>0</u>
Total operating charge (see below)	<u>(114,434)</u>	<u>(87,665)</u>

### Analysis of the amount credited to other finance income

Expected return on pension scheme assets	108,341	75,641
Interest on pension scheme liabilities	<u>(112,074)</u>	<u>(79,152)</u>
Net return (see below)	<u>(3,733)</u>	<u>(3,511)</u>

### Analysis of the amount recognisable in a Statement of Total Recognised Gains and Losses (STRGL)

Actual return less expected return on pension scheme assets	155,459	36,009
Experience gains and losses arising on the scheme liabilities	12,857	(57,723)
Changes in assumptions underlying present value of scheme liabilities	<u>(194,147)</u>	<u>(138,434)</u>
Actuarial surplus / (deficit) recognisable in a STRGL (see below)	<u>(25,831)</u>	<u>(160,148)</u>

# NEWNHAM COLLEGE

## Notes to the Accounts - continued

### 21 (b) Cambridge Colleges Federated Pension Scheme (continued)

	2006	2005
	£	£
<b>Movement in deficit during the year:</b>		
Deficit in scheme in beginning of the year	(464,992)	(314,342)
Movement in year:		
Current service cost including Life Assurance (see above)	(114,434)	(87,665)
Contributions (see above)	186,676	100,674
Past service costs	0	0
Other finance income (see above)	(3,733)	(3,511)
Actuarial surplus / (deficit) recognisable in the STRGL (see above)	<u>(25,831)</u>	<u>(160,148)</u>
Deficit in scheme at end of the year	<u>(422,314)</u>	<u>(464,992)</u>

<b>History of experienced gains and losses:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Difference between the expected and actual return on scheme assets:				
Amount	£155,459	£36,009	£130,785	£(165,706)
Percentage of scheme assets at 31 March 2006 (30 June 2005)	8.0%	2.0%	9.9%	-13.2%
Experienced gains and losses on scheme liabilities:				
Amount	£12,857	£(57,723)	£(54,266)	£(22,860)
Percentage of present value of scheme liabilities at 31 March 2006 (30 June 2005)	1.0%	-3.0%	-3.0%	-1.4%
Total amount recognisable in a statement of total recognised gains and losses:				
Amount	£(25,831)	£(160,148)	£27,902	£(152,739)
Percentage of present value of scheme liabilities at 31 March 2006 (30 June 2005)	-1.0%	-8.0%	1.6%	-9.2%

### Prior Year Adjustment

FRS17: Retirement Benefits, is now mandatory and as such a scheme liability is reflected in the balance sheet as yearly movement split between actuarial movement shown in the statement of recognised gains and losses and other movements included in the Income and Expenditure Account.

The implementation of FRS17 in full has introduced a provision for the current year of £422,314 (£464,992 in 2004/5). The comparative figures shown in the accounts have been restated and the effect was to reduce reserves at 1<sup>st</sup> July 2004 by £314,342.

A summary of the changes is as follows:

	2006	2005
	£	£
Reserves prior to the implementation of FRS17	97,563,134	89,327,913
Reserves after implementation of FRS17	97,140,823	88,862,921

# NEWNHAM COLLEGE

## Notes to the Accounts - continued

### 22. EXCEPTIONAL ITEM

The College has for some years been involved in legal action with HM Revenue and Customs with regard to the VAT on the cost of construction of the new Library. This led to a hearing in the Court of Appeal which held unanimously in the College's favour. In the accounts of previous years the £893,099 VAT recovered up to April 2003 was held as a creditor in case it had to be refunded. Following the decision of the Court of Appeal further VAT totalling £425,408 was claimed and refunded to the College. This, together with the £893,099, has been credited to the Income and Expenditure as an exceptional item of £1,318,507.

### 23. CONTINGENT LIABILITIES

#### 1. Library VAT

Although the College won in the Court of Appeal (see note 22) HM Revenue and Customs have been granted leave to appeal to the House of Lords. The College and its legal advisers believe this appeal will not be successful but a contingent liability exists of the £1,318,507 and interest thereon.

#### 2. Kitchen/Buttery VAT

Under an extra-statutory concession much of the work of constructing a new kitchen and Buttery for the College should be zero rated for VAT. However HM Revenue and Customs have argued that either this concession has been withdrawn or else it is not lawful to apply it under European legislation. The concession has never been withdrawn by official notice and it is the view of the College's advisers that it is not unlawful and should be applicable to 82.5% of the work. The College issued a certificate to the company developing the project to that effect and this has been used to calculate VAT on all the project's invoices to the College. So far the VAT authorities have only accepted zero rating of 3% of the work. A contingent liability therefore exists for VAT on 79.5% of the work and at 30 June 2006 this amounted to £461,542.

#### 3. Universities Superannuation Scheme (USS)

As referred to in note 21 the College participants in the USS. That Scheme had a substantial deficiency in its assets at 31 March 2005, the date of its last actuarial valuation. The USS Trustees have not required increased contributions to be made by employees or employers participating in the Scheme but a liability exists for the College's share of that deficit. The liability is contingent on the USS being unable to improve its finances through improved investment etc. but it is not practical to quantify it.