ST JOHN’S COLLEGE
CAMBRIDGE

Annual Report
and
Financial Statements

for the year ended
30 June 2012

Registered Charity number 1137428

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Reference and Administrative Details

Summary Information

Name of the College	St John's College, Cambridge (formally the College of St John the Evangelist in the University of Cambridge)
Address	St John's Street Cambridge CB2 1TP
Charity registration number	1137428
Charity trustees during the year	The Master, Professor C.M. Dobson (Chairman) Mr D.J. Dormor (from 1 October 2011) Professor G.C. Horrocks Professor I.N. McCave Dr A.C. Metaxas Dr S.M. Colwell Professor C.O. Lane Dr D.M. Fox (from 1 October 2011) Dr A.M. Nicholls (to 30 September 2011) Dr M. Dörrzapf Professor A.W. Woods Professor G.W.W. Barker (to 17 April 2012) Miss S. Tomaselli (to 30 September 2011) Mr C.F. Ewbank Professor J.S. Rink (from 1 October 2011) Dr O. Kucherenko (from 18 April 2012) Dr J.R. Mair (to 30 September 2011)

Senior Officers

Head of House	Professor C.M. Dobson, Master
Senior Tutor	Dr M. Dörrzapf
Senior Bursar	Mr C.F. Ewbank

Membership of the Governing Body

The members of the Governing Body of the College as at 30 June 2012 are set out below

Master: Professor C.M. Dobson

President: Mr D.J. Dormor

Other Fellows (in order of election)

Dr E.D. James
Professor R.A. Hinde
Dr R.H. Prince
Professor Sir J.R. Goody
Mr G.G. Watson
Dr J.A. Charles
Dr D.J.H. Garling
Professor R.N. Perham
Dr G.A. Reid
Professor P. Boyde
Dr J.A. Leake
Dr P.A. Linehan
Dr A.J. Macfarlane
Professor D.L. McMullen
Dr E.K. Matthews
Mr R.G. Jobling
Dr A.A. Macintosh
Professor J. Staunton
Dr C.M.P. Johnson
Professor M.A. Clarke
Dr A.G. Smith
Professor J.A. Emerton
Dr R.A. Green
Professor J. Iliffe
Professor M. Schofield
Dr G.A. Lewis
Professor R.F. Griffin
Dr T.P. Bayliss-Smith
Professor S.F. Gull
Dr H.P. Hughes
Dr P. Goddard
Professor P.T. Johnstone
Professor I.M. Hutchings
Professor H.R.L. Beadle
Dr J.B. Hutchison
Professor S.F.C. Milsom
Dr D.G.D. Wight
Professor Sir R.H. Friend
Dr R.E. Glasscock
Professor R.P. Tombs
Dr R.E. McConnel
Dr D.R. Midgley
Professor P.H. Matthews
Dr M. Richards
Professor J.F. Kerrigan
Professor G.J. Burton
Professor G.C. Horrocks
Professor Sir P.S. Dasgupta
Professor Sir M.E. Welland
Dr H.R. Matthews
Professor B.J. Heal
Dr T.P. Hynes
Professor I.N. McCave
Dr A.C. Metaxas
Colonel R.H. Robinson
Professor S. Conway Morris
Professor E.D. Laue
Dr S.A. Edgley
Mr R.A. Evans
Dr S.M. Colwell
Dr H.E. Watson
Dr J.P. McDermott
Professor C.O. Lane
Dr C.J. Robinson
Professor Y.M. Suhov
Professor S.R.S. Szreter
Professor D.J. Howard
Mr R.C. Nolan
Professor M.M.G. Lisboa
Dr U.C. Rublack
Professor B.D. Simons
Dr K.C. Plaisted Grant
Dr M. Ní Mhaonaigh
Professor D.C. McFarlane
Professor C.D. Gray
Dr I.M.Winter
Professor N.S. Manton
Dr N.S. Arnold
Dr S. Castelvecchi
Professor A.-L. Kinmonth
Dr J.M. Lees
Professor A.D.H. Wyllie
Professor S.C. Reif
Dr D.M. Fox
Dr D.M.A. Stuart
Dr A.M. Nicholls
Dr M. Dörrzapf
Dr V.J.L. Best
Dr P. Antonello
Dr P.T. Miracle
Professor A.W. Woods
Commodore J.W.R. Harris
Professor S.M. Best
Dr P.M. Geraats
Dr P.T. Wood
Dr M.S. Olsaretti
Dr E.J. Gowers
Professor U.C. Goswami
Dr R.J. Samworth
Professor G.W.W. Barker
Dr D.L. Williams
Miss S. Tomaselli
Mr C.F. Ewbank
Dr A. Galy
Dr F.E. Salmon
Dr C.G. Warnes
Professor F.M. Watt
Dr C.D. Jiggins
Dr D. Burdakov
Mr S.W. Teal
Mr A.M. Nethsingha
Dr T. Larsson
Dr R. D. Mullins
Professor D.A. Lomas
Dr T.P.J. Knowles
Dr G.A. Mailer
Dr E.J.L. Waring
Dr J.J.W.A. Robinson
Dr G.L. Evans
Dr M. Atatüre
Dr H.L.A. Johnston
Dr. A.B. Reddy
Dr. A.W. Truman
Dr J.K. Harmer
Professor Z. Ghahramani
Professor J.S. Rink
Dr O. Kucherenko
Dr T.E.C. Button
Dr B.R.M. Thomson
Dr M.N. Goodhand
Dr E. Reisner
Professor A.E. Baum
Dr B. Sen
Dr O. Thomas
Dr K. Drescher
Dr L.N. Roach
Professor J. Toland
Professor B.J. Stapleton
Professor A. Brinkley
Professor O. Paulsen
Dr J.H. Billings
Miss N. Roberts
Dr I. Palacois
Dr K. Franze

Principal Advisers

Auditor
Deloitte LLP
City House
126-130 Hills Road
Cambridge
CB2 1RY

Bankers
Barclays Bank PLC
PO Box 885
Mortlock House
Histon
Cambs
CB24 9DE

Solicitors
Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

Actuaries
Cartwright Group Ltd
Suite 7 – 2nd Floor
The Hub
IQ Farnborough
Hants
GU14 7JP

Investment Managers
UBS AG
1 Finsbury Avenue
London
EC2M 2AN

Partners Capital
5th Floor
5 Young Street
London
W8 5EH

Cash Managers
Royal London Cash Management
55 Gracechurch Street
London
EC3V OUF

Property Advisers
Savills (L&P) Ltd
Unex House
132-134 Hills Road
Cambridge
CB2 2PA

Savills (L&P) Ltd
Wytham Court
11 West Way
Oxford
OX2 0QL

George Webb Finn
43 Park Road
Sittingbourne
Kent
ME10 1DY

Introduction

St John's College, Cambridge is pleased to present its Annual Report and audited consolidated Financial Statements for the year ended 30 June 2012.

Founded in 1511, St John's College is one of the largest of the 31 colleges within the University of Cambridge, each of which is an independent, self-governing, body with its own property and income.

Operating and Financial Review

This operating and financial review is intended to give readers of the financial statements an overview of the operations and finances of the College group.

Scope of the Financial Statements

The consolidated financial statements include the College itself, St John's College School and the College's wholly-owned trading subsidiaries which are:

- St John's Enterprises Limited, which undertakes principally conference and tourism activities for the College;
- Aquila Investments Limited, which undertakes building construction and repair, property development, energy supply and farming;
- St John's Innovation Centre Limited, which provides administrative and business support to tenants of St John's Innovation Centre and encouragement of commercial application of intellectual property; and
- Lomas Developments Limited, which principally undertakes property development.

The accounts of dormant companies are also consolidated.

The financial statements are produced by the College in the Recommended Cambridge College Account (RCCA) format introduced through revisions to Statute G,III of the University which replaced the previous format introduced in 1926 by the University of Cambridge Commissioners.

Objects, Aims, Activities and Performance, and Future Plans

Objects

The charitable objects of the College are, for the public benefit, to advance education, religion, learning and research, particularly but not exclusively through the provision of a College within the University of Cambridge and through the provision of facilities for, and the conduct of, divine service within the College.

Aims

The College's aims are:

- To admit students on the basis of academic ability and potential alone irrespective of financial circumstances and social, religious or ethnic background, to preserve the College's ability to select the best students and to provide financial support to students;
- To maintain a balanced mix of undergraduate, taught graduate and research graduate students, and to preserve a broad range of academic activity whilst remaining small enough to retain a sense of community and individuality;
- To deliver an outstanding education for undergraduates and graduate students, and to sustain the supervision and tutorial welfare systems that are pivotal to the University's tradition of excellence;
- To encourage and support research of international importance by Fellows and graduate students, and to introduce undergraduates to the nature and excitement of original research;
- To carry forward the tradition, maintained continuously since its foundation, of being a place of reflection on matters of religious faith;
- To provide outstanding social, cultural, musical and sporting opportunities that are a key part of the experience offered by the College and which contribute to the personal development of its members;
- To conserve and enhance the College's historic buildings and grounds, an important part of the world's architectural heritage, whilst at the same time providing first-class facilities and infrastructure for the activities that take place within them;
- To preserve the College's independence and self-determination, which with that of other Colleges is a fundamental ingredient in the diversity and success of the collegiate University;
- To take a lead in sustaining and enhancing the ability of the University to continue as one of the world's very top academic institutions, in the face of increasing international competition;
- To recognise and value all our alumni as life-long members of the College community, appreciated for their continuing involvement in, and support of, the College; and
- To operate on a sustainable basis, deploying our resources in a way that preserves intergenerational equity, and living within our means.

The aims of St John's College School are:

- To educate and accommodate as boarders the Choristers of St John's College Choir who are admitted on the basis of vocal and musical ability;
- Otherwise, to continue a largely non-selective admissions policy;
- To offer an outstanding education that fosters the aptitudes and nurtures the growth of each pupil at the School;
- To match its commitment to academic excellence with outstanding non-academic tuition and activities to provide a rich and fulfilling curriculum;
- To give the highest priority to pastoral care and to provide excellent boarding provision;
- To foster a genuine sense of community among pupils, parents and staff as well as past pupils and parents; and
- To offer significant financial support through fee remission and bursaries.

Activities and Performance

In setting objectives and planning activities, the College Council has given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education, advancing religion and on fee-charging.

The principal objectives of the College for the year were: to continue to strengthen the College's access and outreach programme; to enhance the very substantial financial support provided to its students; to strengthen the teaching capabilities of the College; to continue to improve academic performance in Tripos exams; to continue to contribute to the research capabilities of the University through the College's Research Fellowship scheme; to widen the opportunities for University post-doctoral researchers to become associated with the College; to continue with the College's major capital buildings programme; to suitably commemorate the quincentenary of the College and to use the anniversary to reach out to the Johnian community worldwide; and to continue the success to date of the College's £50 million fundraising Campaign centred around the College's 500th Anniversary.

Highlights of activities deemed to be for the public benefit and achievements in the year were: hosting four general open days and four subject specific open days, the Senior Physics Challenge, a Sutton Trust Summer School and the Cambridge shadowing scheme, in addition to visiting some 45 schools and hosting approximately 30 school visits to the College; continued contribution to the Cambridge Bursary scheme which provides means-tested bursary support at levels far in excess of the Office for Fair Access requirements with some 128 bursaries being provided in the year, of which 69 were at the maximum bursary level; an expansion of the College's graduate scholarship provision; the expansion of the new College Teaching Associate scheme to enhance the teaching resource of the College and provide the flexibility to cover short and medium term teaching needs; the election of three new professorial and teaching Fellows to start in 2012/13 in subjects including Physics, English and Plant Sciences; the election of four outstanding new Research Fellows in Computer Science, French Political History, History of Political Thought, and British History; the election of five new College Research Associates and nine new post-doctoral researchers offering a College affiliation to a significant number of talented post-doctoral researchers in the University; with regard to facilities, completing the refurbishment of the Warehouse, a graduate hostel, near completion of the Divinity School refurbishment to provide a large multi-purpose facility and the commencement of the refurbishment of the second phase of the Cripps project; the continued celebration of the 500th anniversary of the College through a range of events in College, elsewhere in the UK and overseas involving many Johnians; and continued successful fundraising, with the £50 million Campaign target reached during the year.

The principal objectives of the School for the year were: to complete the bulk of a major and essential redevelopment of the school's teaching facilities and to initiate a range of curricular developments to foster independent learning and critical thinking.

Highlights of activities and achievements in the year were: 61 leaving pupils gained 20 scholarships to their destination schools; the pass rate for the Common Entrance Examination was 100%; a range of developments was initiated to foster independent learning and critical thinking, including the introduction of Philosophy teaching; the training of staff in teaching Mindfulness; the development of the Creative Curriculum with younger pupils and the introduction of discrete Study Skills teaching to older ones; the completion of a full review of the balance of studies and pattern of the day for older pupils.

Future Plans

The College has developed a Strategic Plan covering the period 2011-16. This sets out the College's ambitions to: enhance its outreach activities; provide greater financial support for students; further strengthen its teaching capabilities and raise academic performance; increase the number of Research Fellows; improve extracurricular opportunities; complete the current major building refurbishment programme; modernise its approach to human resources; and build on fundraising success to date by launching a major new fundraising campaign aimed at building the College's Endowment. As it approaches its 25th anniversary, St John's Innovation Centre is seeking to further enhance its leading reputation in the support of innovation.

The school's plans include: the conclusion of the major redevelopment of the school's teaching facilities; the implementation of a revised balance of studies and pattern of the day, including: increased teaching of Philosophy and Study Skills; beginning the teaching of French and Latin at a younger age; the introduction of Spanish as a second Modern Language; the creation of enrichment afternoons to provide extension opportunities for older pupils. The planning of educational developments will continue, through working parties on the Early Years Curriculum, the Creative Curriculum, Outdoor Learning, Mindfulness, Philosophy, Study Skills and Digital Learning. The use of the school's funds for public benefit will be enhanced through appointment to the new post of Creative Projects Organiser whose remit includes fostering outreach projects making the school's expertise available to the wider educational community.

Financial Review

Overview of the Results for the Year

The College's Consolidated Income and Expenditure Accounts for the years ended 30 June 2012 and 2011 are summarised below:

	2012 £'000	**Restated (note 33) 2011 £'000**
Income	32,841	32,131
Expenditure	(33,242)	(32,015)
Operating (deficit)/surplus	(401)	116
Contribution under Statute G,II	(708)	(708)
Deficit after Contribution under Statute G,II	(1,109)	(592)
Net transfers from/(to) accumulated income in Endowment funds	50	(59)
Retained deficit for the year	(1,059)	(651)

A number of presentational changes were implemented in 2012 in order to provide a clearer picture of the College's financial operations while continuing to comply with the Recommended Cambridge College Accounts format. These changes, which are set out in note 33 to the accounts, have resulted in the restatement of a number of the prior year comparatives.

Income

The main sources of income for the College are academic fees and charges (10% in the year and 10% in the previous year), income from residences, catering and conferences (19% in the year and 19% in the previous year), Endowment and investment income (50% in the year and 50% in the previous year), revenue donations (3% in the year and 2% in the previous year) and income from the School (17% in the year and 17% in the previous year).

Income rose overall by £710k (2.2%) in 2011/12 as a result of increases in income across various activities.

Academic fees and charges received in the year were £3,260k, down £66k (2.0%) from £3,326k in the previous year due primarily to a decrease in graduate fee income, reflecting slightly lower graduate student numbers.

Total income from residences, catering and conferences in the year totalled £6,145k, up £26k (0.4%) from the previous year (£6,119k). The overall increase reflects higher accommodation income from College Members offset by lower catering income from College members and lower external catering and conferences revenues as the College utilised resource internally to celebrate its quincentenary.

Gross endowment and investment income was £16,407k in the year, a rise of £276k (1.7%) on the previous year (£16,131k), mainly as a result of an increase in the endowment drawdown from permanent funds accounted for on a Total Return basis. The operation of the College's spending rule for distributions to support College operations is outlined in the Statement of Principal Accounting Policies. This is a change in accounting treatment from 2010-11 where endowment and investment income was shown net of costs. The prior year figures have been restated. For the background see note 33 to the accounts.

Revenue donations in the year were £1,137k, up £387k or 51.6% from the prior year (£750k) reflecting increases in the support of donors for the College's activities.

School income was £5,695k in the year, up £299k (5.5%) from the prior year (£5,396k) as a result of a small increase in fees and increased pupil numbers.

Expenditure

The main areas of expenditure for the College were education (29%, compared to 30% in the prior year), residences, catering and conferences (36%, compared to 35% in the prior year), costs relating to investment management (12%, compared to 13% in the prior year), School expenditure (16%, compared to 15% in the prior year) and other expenditure (7%, compared to 7% in the prior year).

Total expenditure was £33,242k in 2011/12, up £1,227k (3.8%) from the prior year (£32,015k).

Spending on Education during the year totalled £9,781k which was up £252k (2.6%) on the prior year (£9,529k). This reflects primarily a rise in expenditure on scholarships & awards and the impact of a one-off payment to staff made as a consequence of the pay and grading review.

Expenditure on residences, catering and conferences totalled £11,997k in the year, up £893k (8%) on the prior year (£11,104k). This relates, in the main, to a one-off payment to staff made as a consequence of the review of pay and grading.

Investment management costs were £4,058k in the year, a reduction of £227k (5.3%) from the prior year (£4,285k), due to a reduction in the operating costs of St John's Innovation Centre.

School costs for the year were £5,202k, up £336k (7%) from the prior year (£4,866k). Much of the increase in costs was related to bringing the new buildings into use, including increased depreciation and facilities management costs.

Other expenditure totalled £2,204k, down £27k (1.2%) on the prior year (£2,231k). This reduction is as a result of increased spending on the College's quincentenary events offset by a reduction in miscellaneous expenditure (including charitable gifts).

The expenditure for each of the activities described above is made up of staff costs, other operating expenses, depreciation and interest and other finance costs.

Total staff costs for both academic and non-academic staff rose to £15,233k for the year, an increase of £1,037k (7.3%) on the previous year (£14,196k). On a like-for-like basis, after adjusting for the one-off payment to staff as part of the pay and grading review, total staff costs reduced year on year.

Other operating expenses of the College, including the costs of investment management, were £12,560k, a reduction of £157k (1.2%) on the prior year (£12,717k), reflecting the reduction in costs at St John's Innovation Centre. There was also a change in the allocation of expenditure across the other categories of spend.

Depreciation was £4,483k for the College for the year (2011: £4,449k) and £4,489k (2011: £4,460k) for the Group. This charge is rising as the College completes projects within its building refurbishment programme.

Interest and other finance charges were £958k for the year, an increase of £316k on the prior year (£642k). The College drew down the final £8 million of its loan facility during the year and this is reflected in the increase in interest payments.

Results

Income rose by £710k (2.2%) and expenditure rose by £1,227k (3.8%) in the year, generating a deficit from operations for the Group of £401k, down £517k from an operating surplus of £116k in the prior year. After taking into account the non-recurring payment to staff relating to the pay and grading review, the College actually improved its surplus year on year.

The Contribution under Statute G,II for the year 2011/12 remained at the same level as for the prior year, £708k. This contribution is an intercollegiate taxation charge which is contributed to the Colleges Fund which makes grants to colleges with inadequate endowments.

After the payment of the Contribution under Statute G,II, the College incurred a deficit of £1,109k compared with a deficit of £592k in the previous year.

After the transfer of £50k from accumulated income in Endowment funds (reflecting additional spent restricted trust fund income), the College made a deficit for the year of £1,059k retained within general reserves, compared with a deficit of £651k in the previous year.

In the financial statements, total Endowment and investment income shows the income from the underlying investments, save for the case of permanent Endowments managed on a total return basis for which only the income spent in the year is recognised in the Income & Expenditure account. The College manages its Endowment and long-term investments on a total return basis and determines, through a spending rule, a prudent distribution each year. Had the income in the Income & Expenditure statement instead been based on this “distribution basis” for Endowment and investment income, the retained deficit would have been £531k (2011: £453k) or approximately 1.6% (2011: 1.4%) of total income.

Capital Expenditure

The Group incurred capital expenditure on tangible fixed assets during the year amounting to £8,526k (compared to a prior year figure of £8,016k).

This high level of expenditure reflects the continued implementation of the College’s major building refurbishment programme. In 2011/12, the College spent some £5,000k on improvements to its operational buildings with the commencement of Cripps Phase 2, the completion of the redevelopment of the maintenance yard and the near completion of the major project to refurbish the Divinity School. Substantial expenditure will continue for some years until the College finishes its current building refurbishment programme with the completion of the last phase of the Cripps project. In addition, the School spent substantial amounts on developing their buildings to create new classrooms and other facilities.

Cash Flows

Net cash outflow from operating activities was £7,531k, £475k higher than the prior year’s cash outflow of £7,056k.

Net cash inflow from returns on investments and servicing of finance was £7,283k, down £796k on the prior year due to slightly lower Endowment and investment income in cash terms, substantially higher interest payments and changes to investment working capital in the year.

The contribution under Statute G,II paid in the year was £708k, a small increase in cash terms from the prior year.

Capital expenditure and financial investment gave a net cash inflow of £7,223k, compared to a net cash outflow in the prior year of £2,039k, impacted significantly by £12,755k realised from the net sale of long-term investments.

The movement in net debt for the year was a positive £6,267k, moving the College into a net positive position at 30 June 2012.

The College drew down the final £8,000k of its bank facility in the year to fund its building refurbishment programme and the development of School buildings.

Reserves

Consolidated total funds stood at £601,791k at 30 June 2012, up £14,142k (2.4%) on the prior year. This was mainly a result of an increase in the value of Endowment assets reflecting rises in the market value of investments and increases from benefactions and donations of a capital nature. At 30 June 2012, Reserves (including the fixed asset revaluation reserve, but excluding the pension reserve and Corporate Capital reserve) stood at £241,575k.

Endowment and Investment Performance

Investment Policy

The majority of the College's fixed asset investments and Endowment assets are managed together as one investment portfolio. The investment objective is to produce the highest total return consistent with the preservation of long-term capital value in real terms (such that the College itself can fulfil its charitable objectives in perpetuity and be even handed between the interests of present and future beneficiaries), an acceptable degree of risk and the maintenance of appropriate liquidity.

The strategic asset allocation for the portfolio is set by the College Council on the recommendation of the Investments Committee. The College Council is also responsible for the appointment of the College's investment managers.

The College operates an ethical investments policy. Under the terms of that policy and having regard to the requirements of charity law to maximise returns, the College seeks to ensure that investments are not made in companies whose practices are in conflict with the charitable purposes of the College or are likely to alienate the members or benefactors of the College.

Investments

The total value of the College's endowment and investment portfolio at 30 June 2012 was £364.8 million, up £5.8 million (1.6%) from its value at 30 June 2011.

As at 30 June 2012, £195.9 million or 53.7% (£186.7 million or 52.0% in prior year) of the portfolio was invested in direct UK property, in a mix of agricultural, commercial and residential properties (those residential properties which are let or intended to be let to students, Fellows and staff are considered and valued as operational buildings and appear as part of tangible fixed assets rather than investments). Other investments had a value of £168.9 million (£172.4 million in the prior year), representing 46.3% (48.0% in the prior year) of the overall portfolio.

The College is exposed to foreign exchange risk on the investments it holds in foreign currencies and seeks to mitigate these risks by entering into partial cashflow hedges, which are managed by its advisers.

Development and Fundraising

Since 2005, the College has been actively fundraising through a Campaign centered around its quincentenary, and during the year the Campaign target of £50 million was achieved. The College also launched a Campaign during the year to create a Choral Foundation to ensure the continued excellence of its Choir, with a target of raising £5 million by the end of 2015.

In 2011/12, donations and benefactions received by the College excluding heritage assets totalled £4,618k (£5,696k in the prior year).

Principal Risks and Uncertainties

The principal risks the College must address are the long-term ability to maintain and develop its educational and research activities, to attract the best staff and students, and to maintain and renew its physical facilities.

The key financial uncertainties and risks are:

- The long-term impact of the changed student financing and fee model arising from Government funding cuts in the funding of teaching, and higher tuition fees to be charged by the University, on College fee income;
- The costs of future student financial support;
- Movements in investment markets reducing the value of the Endowment and other investment assets;
- The long-term cost of pension provision; and
- An uncertain economic and financial environment potentially putting additional pressure on donations, levels of student support and other income.

In Conclusion

The College's group operations were in deficit in 2011/12 reflecting difficult financial conditions. However, after adjusting for the non-recurring payment to staff as part of the College's pay and grading project, the underlying operations of the College achieved a small surplus. It is important that the College maintains its focus on improving its financial position, and this continues to be addressed through a range of revenue enhancement and expenditure reduction initiatives. The College is committed to remaining financially robust during what is expected to be a difficult economic period ahead compounded by the uncertainty and challenges of the Higher Education sector. The College will therefore ensure that costs are tightly controlled and investments in infrastructure and improvements are carefully prioritised.

On behalf of the College Council

Professor Christopher Dobson	Chris Ewbank
Master	Senior Bursar

6 November 2012

Corporate Governance

The following statement is provided by the Council to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

Charity Status

The College is a registered charity with registration number 1137428 and is subject to regulation by the Charity Commission for England and Wales.

Governing Documents

The Governing documents of the College are its letters patent of 7 August 1509, its deed of foundation of 9 April 1511 and its Statutes of 1926 as variously amended from time to time (the Statutes). The Statutes describe, among other things, the membership and responsibilities of the Governing Body and Council; the election and duties of the Master and President; the election, admission, tenure and removal of Fellows; and the appointment and duties of College officers. The Statutes are supplemented by orders for the regulation of the College's affairs, made by the Council in accordance with the Statutes.

Governance

The members of the College Council, which is responsible for the day-to-day administration of the affairs of the College, are the charity trustees and are responsible for ensuring compliance with charity law. The members of the Council are the Master and twelve Fellows elected by the College's Governing Body for rotating four year terms. The members of the Council during the year ended 30 June 2012 are set out in 'Reference and administrative details' above.

The Governing Body of the College consists of the Master and all Fellows, and is the ultimate authority in the government of the College. It meets termly or more frequently as necessary.

All members of the Council are given, on appointment, an induction pack containing key Charity Commission guidance on public benefit and the good governance of charities and the policy of the College for the management of conflicts of interest. Members of the Council are also required to complete a Register of Interests and declarations of interest are made systematically at meetings.

Elected representatives of the junior members of the College attend College Council meetings for the discussion of matters directly affecting the interests of undergraduates and post-graduates.

The Master of the College is elected to office by the Fellows until retirement or earlier resignation. He is responsible for general oversight of the affairs of the College. The Master chairs the Governing Body and the Council.

The other College officers most involved in the governance of the College are as follows: the President, who is elected by the Fellows for a period of up to four years and, among other duties, acts as the Master's deputy in his absence; the Senior Tutor, who has overall responsibility for admissions, education and welfare of students; the Deans, who are responsible for overseeing the Chapel and the conduct of junior members of the College; the Senior Bursar, who is responsible for managing the College's finances; and the Domestic Bursar, who manages the domestic affairs of the College.

It is the duty of the Council to keep under review the effectiveness of the College's internal systems of financial and other controls. The Council appoints the Audit Committee of the Council whose duty it is to advise the Council on the appointment of external auditors; to consider reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; and to monitor risk management and control arrangements. The Audit Committee of the Council makes an annual report to the Council. Membership of the Audit Committee of the Council comprises three members of the Council who are not College Officers. The Council also appoints a separate Audit Committee (Board of Scrutiny) which acts as a Board of Scrutiny and reports to the Governing Body.

St John's College School has its own Governors, who are appointed by the College Council. As at 30 June 2012, six of the twelve Governors of the School were Fellows of the College. The School Governors are responsible to the College Council for the educational policy, management and finances of the School.

The Visitor of the College is the Bishop of Ely.

Public Benefit Statement

The Operating and Financial Review above outlines the public benefits achieved by St John's College in the year ending 30 June 2012.

Statement of Internal Control

The Council is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Council is responsible, in accordance with the College's Statutes.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The system of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 30 June 2012 and up to the date of approval of the financial statements.

The Council is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

The Council has nineteen regular meetings each year and gives consideration to the major risks to which the College and its subsidiary undertakings are exposed and satisfies itself that systems or procedures are established in order to manage those risks.

Key controls used by the College include:

- Formal agendas for all Committee and Council activity;
- Clear terms of reference for all committees;
- Strategic planning, budgeting, management accounting and cash flow forecasting;
- Established organisational structure and lines of reporting;
- Formal written policies in key areas such as health and safety and child protection; and
- Authorisation and approval levels.

The College is seeking to enhance these controls through a formal risk-management process involving the creation of a risk register. The relevant individuals in College will be charged with responsibility for evaluating the risks coming within their areas of responsibility and advising the Council on the nature of the risk, the probability of occurrence and severity of impact, as well as steps taken to mitigate the risk. Through the risk register, the College will seek to identify and manage risks. However, the nature of the College's activities is such that the College is faced with a large number of risks, not all of which can be mitigated.

The Council's review of the effectiveness of the system of internal control is informed by the work of the various Committees, the Bursars and College Officers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the College Council

In accordance with the College's Statutes, the Council is responsible for the administration of the Group's and College's affairs.

The Council is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the College and of the surplus or deficit of the Group for that period. In preparing these financial statements the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and College will continue in operation.

The Council is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the College and enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the Group and the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Governing Body of St John's College, Cambridge

We have audited the financial statements of St John's College, Cambridge for the year ended 30 June 2012 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated and College balance sheet, the consolidated cash flow statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with the College's Statutes, and the Statutes of the University of Cambridge and our engagement letter dated 11 July 2012. Our audit 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 College and the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of the responsibilities of the College Council, the College Council is responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the College's affairs as at 30 June 2012 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the College's Statutes, and the Statutes of the University of Cambridge.

Opinion on other matters prescribed by the Statutes of the University of Cambridge
In our opinion, the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G,II of the University of Cambridge.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

6 November 2012

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

Statement of Principal Accounting Policies

Basis of Preparation

The Financial Statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom Accounting Standards and have been produced in accordance with the Recommended Cambridge College Accounts (RCCA) format introduced through revisions to Statute G,III of the University which replaced the previous format introduced in 1926 by the University of Cambridge Commissioners. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education.

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to use of public funds. The analysis required by the SORP is set out at note 9.

The College's activities and financial position, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial Review which forms part of this Annual Report. The Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt a going concern basis of accounting in preparing the annual Financial Statements.

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, modified in respect of the treatment of investments which are included at valuation.

Basis of Consolidation

The consolidated Financial Statements include the College and its subsidiary undertakings. Details of the subsidiary undertakings included are set out in note 32. Intra-group balances are eliminated on consolidation. The consolidated Financial Statements do not include the activities of student societies as these are separate bodies in which the College has no financial interest and because these are viewed as autonomous activities.

Recognition of Income

Academic Fees

Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors. The cost of any fees waived or written off by the College are included as expenditure.

Restricted Grant Income

Grants received for restricted purposes are recognised as income to the extent that relevant expenditure has been incurred.

Recognition of Income (continued)

Income from Research Grants

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

Rental Income

Rental income is recognised on an accruals basis according to the terms of the lease.

Donations and Benefactions

Charitable donations are recognised on receipt or when there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the Consolidated Income and Expenditure Account. Donations which are to be retained for the future benefit of the College, and other donations with substantially restricted purposes, other than for acquisition or construction of tangible fixed assets, are recognised in the Consolidated Statement of Total Recognised Gains and Losses as new endowments.

Gifts, donations and benefactions that are expected to be spent within two years of receipt are shown as income in the year in which they are received, provided that they have been fully expended on that purpose within the year of receipt. Otherwise the gift may be deferred in full or in part and held within liabilities pending release.

Gifts, benefactions and legacies are treated as capital if there is a legally binding restriction or it can be inferred that the sum is intended to be retained or if the College does not expect to be able to fully spend the donation within two years. In determining the accounting treatment the Council considers the donor's correspondence and association with the College together with the size of the sum involved. Gifts, benefactions, and legacies treated in this way are recognised in the Consolidated Statement of Total Recognised Gains and Losses as new endowments received.

Capital Grants and Donations

Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants and released to income over the estimated useful life of the respective assets in line with the depreciation policy. Grants and donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the Income and Expenditure account in the year of acquisition.

Other Income

Income is received from a range of activities including residences, catering & conferences, and other services rendered. Income is recognised in the period in which the related goods or services are delivered.

Recognition of Income (continued)

Endowment and Investment Income

All investment income excluding endowment income from permanent endowments managed on a total return basis is credited to the Consolidated Income and Expenditure Account in the period in which it is earned.

Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Consolidated Income and Expenditure Account to the unspent income segment of the endowment. When there is subsequent expenditure of accumulated income from a restricted capital fund, income is credited back to the Income and Expenditure Account from the restricted capital fund to match the expenditure through transfers from unspent income.

In the case of endowment income from permanent endowments managed on a total return basis, only the income spent in the year is recognised in the Consolidated Income and Expenditure Account, with any excess income remaining in the unapplied total return segment of the endowment fund.

Total Return

The College applies both a total return and standard method of accounting for fund investment returns. The standard method applies the investment income in the year it is earned. The standard method is applied until a permanent fund has a level of distributable reserves which are at least 20% of its original capital.

For other unrestricted permanent funds, a total return policy is applied. For these funds a proportion of the related earnings and capital appreciation is allocated to the Consolidated Income and Expenditure Account as a drawdown in accordance with the total return concept up to the amount spent from such funds in the year. Under this method the Endowment drawdown is determined by a spending rule which is designed to provide stable annual spending levels and to preserve the real value of the endowment portfolio over time. The surplus or deficiency of total return, after deducting the annual Endowment drawdown, is included in the Consolidated Statement of Total Recognised Gains and Losses and is carried forward as unapplied total return.

For other restricted permanent funds, a total return accounting policy is applied as above, except that the sum allocated to the Income and Expenditure Account is limited to the qualifying expenditure incurred in the year.

The spending rule adopted by the College is a ‘Constant Growth with Cap and Floor’ rule under which the drawdown from the Endowment for a particular year is the previous year’s drawdown increased by RPI+1%, subject to a minimum payout of 3% and a maximum payout of 4% of a trailing 3 year average Endowment value. The target spending rate is 3.5%, which reflects long-run expected real returns given the College’s asset allocation and long-run expected College inflation. However, the actual spending rate in any year will depend on the results of the spending rule and will therefore vary from the 3.5% target rate. The spending rule provides for the drawdown to be adjusted to reflect additions to the Endowment through donations.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date 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. Gains or losses on forward foreign-exchange contracts within the investment portfolio are however taken to reserves through the Consolidated Statement of Total Recognised Gains and Losses, as these are in substance part of the change in market value of the portfolio.

Tangible Fixed Assets

Land and Buildings

In accordance with the transitional provisions of Financial Reporting Standard 15 as applied to the College Accounts, land and buildings are stated at valuation on the basis of depreciated replacement cost. The valuation as at 30 June 2004 was carried out by Carter Jonas LLP, Chartered Surveyors. This valuation will not be updated and will be carried forward as the gross value to be depreciated over its expected useful economic life. It is not possible to quantify the difference between depreciation based on historic cost and depreciation based on this valuation because records of the historic cost of land and buildings were not required to be kept under the accounting regime applicable to Colleges within the University of Cambridge prior to 2004.

Freehold land is not shown separately. Freehold buildings are depreciated on a straight-line basis over their expected useful economic lives of 50 years. Freehold land is not depreciated. Where buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated in accordance with the depreciation policy for that asset class. The related benefactions are credited to a deferred capital grant and are released to the Income and Expenditure Account over the expected useful life of the related asset on a basis consistent with the depreciation policy.

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

Finance costs which are directly attributable to the construction of buildings are not 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.

Land held specifically for development, investment and subsequent sale is included in endowment assets at market value.

The cost of additions to operational property shown in the balance sheet includes the cost of land, where applicable.

Tangible Fixed Assets (continued)

Maintenance of Premises

The College has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of routine maintenance is charged to the Income and Expenditure Account as it is incurred. The cost of major refurbishment and maintenance which restores value is capitalised when the project valuation is above the capitalisation threshold of £20,000. Expenditure capitalised is depreciated on a straight-line basis over the expected useful economic life.

Equipment

Furniture, fittings and equipment costing less than £20,000 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised at cost and depreciated on a straight-line basis over their expected useful life as follows:

Plant and machinery	(long life)	10 years
Plant and machinery	(short life)	5 years
Motor vehicles		5 years
Furniture and soft furnishings		5 years
Computer network and equipment		5 years

Where equipment is acquired with the aid of specific bequests or donations, it is capitalised and depreciated as above, which is the same rate at which the associated deferred capital grant is released to the Consolidated Income and Expenditure Account.

Leased Assets

Rental costs under operating leases are charged to expenditure in equal amounts over the periods of the leases.

Heritage Assets

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30 (Heritage Assets) heritage assets acquired before 1 July 2007 have not been capitalised since reliable estimates of cost or value are not available on a cost benefit basis, and the volume of items and valuation issues (e.g. age, origin, veracity) mean that it is neither practical nor beneficial to identify and value them. Acquisitions since 1 July 2007 and valued at over £20k are capitalised and recognised in the Balance Sheet at the cost or, in the case of donated assets, at valuation on receipt where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Operational assets are those that the College uses in the course of meeting its charitable purposes of education, learning, research and religion. Once an asset has been classified as an operational asset it is not reclassified as a heritage asset.

Investments

Fixed asset investment and Endowment assets are included in the Consolidated Balance Sheet at market value, except for investments in subsidiary undertakings which are stated in the College's Balance Sheet at cost and eliminated on consolidation. Investments for which no market value is readily obtainable are carried at historical cost less any provision for impairment in their value.

Realised and unrealised capital gains and losses are recognised as increases or decreases of market value of investment assets or endowment assets as appropriate within the Consolidated Statement of Total Recognised Gains and Losses.

The investment property portfolio is valued annually at open market value (using the desktop valuation method) by the College's principal property advisers, Savills (L&P) Limited, with the exception of certain residential long leasehold properties which are valued by Carter Jonas, property consultants, and certain agricultural and residential properties in Kent, which are valued by George Webb-Finn, Chartered Surveyors.

Due to the length of ownership of many of the investment properties, realised capital gains cannot be recognised with reference to historic cost.

Stocks

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

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 benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Taxation

The College is a registered charity (number 1137428) and also 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.

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 liability for the year is as advised to the College by the University based on an assessable amount derived from the value of the College's assets as at the end of the previous financial year.

Pension costs

The College and its subsidiary undertakings participate in a number of pension schemes of both defined-benefit and defined-contribution types.

Cambridge College's Federated Pension Scheme

The College contributes to the Cambridge Colleges Federated Pension Scheme ("CCFPS"), which is a defined-benefit pension scheme. Unlike the other defined-benefit schemes (as noted below), this scheme has assets and liabilities directly attributable to the College.

Amounts charged to operating expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past-service costs are recognised immediately in the Consolidated Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits to interest. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Total Recognised Gains and Losses.

The scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. The scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined-benefit liability is presented separately after other net assets on the face of the Balance Sheet.

Other Defined-Benefit Pension Schemes

The College also makes contributions to the defined-benefit schemes set out below. The College is unable to identify its share of the assets and liabilities of these schemes on a consistent and reasonable basis. Therefore, these schemes are accounted for as if they were defined-contribution pension schemes. Contributions are charged to the Consolidated Income and Expenditure Account as they are incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

(i) The College participates in the Universities Superannuation Scheme (USS), 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. Because of the mutual nature of the scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Consolidated Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

(ii) Church of England Funded Pensions Scheme: The College participates in the Church of England Funded Pensions Scheme. This is a defined-benefit scheme but the College is unable to identify its share of the underlying assets and liabilities.

(iii) Teachers' Pension Scheme*:* The College participates in the Teachers' Pension Scheme which is a statutory, contributory, final-salary scheme. The College is unable to identify its share of the underlying assets and liabilities.

Pension costs (continued)

Defined-Contribution Pension Schemes

The College and its subsidiaries also contribute to a number of defined-contribution pension schemes. For defined-contribution schemes the amount charged to the Consolidated Income and Expenditure Account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Balance Sheet.

Funds and Reserves

The RCCA format requires the College to distinguish between Deferred Capital Grants, Endowments, and Reserves.

Deferred Capital Grants

These are grants and donations used to purchase depreciating tangible fixed assets, which are released to income over the expected useful life of the assets concerned. Interest earned on the grant prior to the purchase of the asset is credited to the capital of the grant.

Endowments

Where the College receives donations that cannot be spent within 2 years of receipt, these are credited to endowment funds. Endowment funds are subdivided into:

Permanent restricted endowments (where the College can spend the income from the fund on expenditure that meets the fund's objectives).

Expendable restricted endowments (where the College can spend both the income and the capital of the fund on expenditure that meets the fund's objectives).

Permanent unrestricted funds (where the College can spend the income from the fund on any activity of the College).

Corporate Capital

The College's Corporate Capital has certain features of a permanent unrestricted Endowment (in that the majority is invested in perpetuity to provide an income to support the College's charitable activities) and certain features of a permanent reserve (in that it is established practice that Cambridge Colleges can borrow against their Corporate Capital to invest in operational property.) The portion of the College's Corporate Capital that is currently acting as an Endowment is included in permanent unrestricted endowments, while the portion that is currently acting as a reserve is included in reserves, but disclosed separately on account of its materiality.

The exact split between these two components varies over time. When Corporate Capital buys and sells investment assets the portion that falls within endowment assets varies, and the change is represented by an annual transfer between the Endowments note and the Reserves note.

Funds and Reserves (continued)

Reserves

Funds that are neither Endowments nor Deferred Capital Grants are classed as reserves. The College's reserves are disclosed under the following four headings:

General reserves excluding pension reserve (containing all reserves not included in another category below);

Pension reserve (containing the surplus or deficit on the College's defined benefit pension schemes where this can be identified. When the schemes are in deficit, this reserve will necessarily be overdrawn as a consequence);

Corporate Capital reserve (containing the portion of the College's Corporate Capital, as described above, that is currently being used as a reserve rather than as an endowment); and

Fixed asset investment revaluation reserve (containing the unrealised investment gains on fixed asset investments held within the College's consolidated trust fund. These are the cumulative gains less cumulative losses since the underlying assets in the fund were acquired by the College, rather than acquired by the particular fund that currently holds them).

St John's College School

The School is viewed as a separate activity of the College. Control of its reserves has been delegated to its Board of Governors. Its reserves, including those representing its tangible fixed assets, are included in general reserves (except for its prize and trust funds which, being restricted rather than designated funds, are treated on an individual basis).

Consolidated Income and Expenditure Account

Year to 30 June	Note	2012 £'000	Restated (note 33) 2011 £'000
Income			
Academic fees and charges	1	3,260	3,326
Residences, catering and conferences	2	6,145	6,119
Endowment and investment income	3f	16,407	16,131
Revenue donations	4	1,137	750
School		5,695	5,396
Other income	5	197	409
		32,841	**32,131**
Expenditure			
Education	6	9,781	9,529
Residences, catering and conferences	7	11,997	11,104
Investment management costs	3g	4,058	4,285
School		5,202	4,866
Other expenditure	8	2,204	2,231
		33,242	**32,015**
(Deficit)/surplus on continuing operations before Contribution under Statute G,II		**(401)**	**116**
Contribution under Statute G,II		708	708
Deficit on continuing operations after Contribution under Statute G,II		**(1,109)**	**(592)**
Net transfers from/(to) accumulated income in endowment funds	22	50	(59)
Deficit for the year retained within general reserves		**(1,059)**	**(651)**

All items dealt with in arriving at the deficit for 2012 and 2011 relate to continuing operations.

Additional information:

Total income and deficit retained within general reserves as stated above do not include the element of endowment fund distributions funded out of long-term capital growth for funds that are classified as expendable endowments or general reserves. The corresponding figures including this element are:

	2012 £'000	Restated (note 33) 2011 £'000
Total income on a distribution basis (as defined on Page 10 of the Operating and Financial Review)	33,427	32,568
Deficit for the year retained within general reserves on a distribution basis	(531)	(267)

The notes numbered 1 to 33 form part of these Financial Statements

Consolidated Statement of Total Recognised Gains and Losses

Year to 30 June	Note	**2012 Restricted Funds £'000**	**2012 Unrestricted Funds £'000**	**2012 Total Funds £'000**	**2011 Total Funds £'000**
Deficit on Income and Expenditure account		**-**	**(1,059)**	**(1,059)**	**(651)**
(Decrease)/increase in cumulative unspent endowment fund income	22	(50)	-	(50)	59
(Decrease)/Increase in market value of investments:					
Endowment assets	22	(1,761)	18,153	16,392	17,997
Fixed asset investments	23	-	(1,468)	(1,468)	3,372
Foreign exchange gains linked to investments		29	45	74	1,043
Dilapidations (capital income)	22	-	-	-	6
New endowments	22	1,985	312	2,297	3,411
New deferred capital grants	21	1,357	-	1,357	1,440
Release of Grant income	21	(86)	-	(86)	(85)
Transfers		1,137	(1,137)	-	-
Actuarial (loss)/gain in respect of pension schemes	30	-	(3,315)	(3,315)	3,636
Total recognised gains relating to the year		**2,611**	**11,531**	**14,142**	**30,228**
Reconciliation:					
Opening capital and reserves		74,677	512,972	587,649	557,421
Total recognised gains relating to the year		2,611	11,531	14,142	30,228
Closing capital and reserves		**77,288**	**524,503**	**601,791**	**587,649**

The notes numbered 1 to 33 form part of these Financial Statements

Consolidated Balance Sheet

As at 30 June	Note	2012 £'000	Restated (note 33) 2011 £'000
Fixed Assets			
Tangible assets	11	241,323	236,567
Investments	12	25,828	28,877
		267,151	265,444
Endowment Assets	13	339,025	330,171
Current Assets			
Stock	14	655	607
Debtors	15	2,204	2,381
Current asset investments	16	15,672	6,279
Cash at bank and in hand		9,858	4,259
		28,389	13,526
Current Liabilities			
Creditors: amounts falling due within one year	17	(7,446)	(7,165)
Net current assets		20,943	6,361
Total Assets less current liabilities		627,119	601,976
Creditors: amounts falling due after more than one year	18	(20,168)	(12,172)
Net assets excluding pension liability		606,951	589,804
Net pension liability	20	(5,160)	(2,155)
Net assets including pension liability		**601,791**	**587,649**

Represented by:

		2012 Restricted Funds £'000	2012 Unrestricted Funds £'000	2012 Total Funds £'000	2011 Total Funds £'000
Deferred capital grants	21	8,091	-	8,091	6,820
Endowments					
Expendable endowments	22	19,898	-	19,898	21,080
Permanent endowments	22	49,299	269,828	319,127	309,091
Reserves					
General reserves excluding pension reserve	23	-	239,117	239,117	241,224
Pension reserve	23	-	(5,160)	(5,160)	(2,155)
Corporate capital reserve	23	-	18,260	18,260	7,276
Fixed asset investment revaluation reserve	23	-	2,458	2,458	4,313
Total Funds		**77,288**	**524,503**	**601,791**	**587,649**

These Financial Statements were approved by the College Council and authorised for issue on 6 November 2012 and signed on their behalf by:

Professor Christopher Dobson
Master

Chris Ewbank
Senior Bursar

The notes numbered 1 to 33 form part of these Financial Statements

College Balance Sheet

As at 30 June	Note	2012 £'000	Restated (note 33) 2011 £'000
Fixed Assets			
Tangible assets	11	241,662	236,900
Investments	12	25,828	28,877
		267,490	265,777
Endowment Assets	13	344,326	334,743
Current Assets			
Stock	14	536	509
Debtors	15	5,352	5,517
Current asset investments	16	15,672	6,279
Cash at bank and in hand		9,248	3,866
		30,808	16,171
Current Liabilities			
Creditors: amounts falling due within one year	17	(15,145)	(15,130)
Net current assets		15,663	1,041
Total Assets less current liabilities		627,479	601,561
Creditors: amounts falling due after more than one year	18	(20,168)	(12,172)
Net assets excluding pension liability		607,311	589,389
Net pension liability	20	(5,160)	(2,155)
Net assets including pension liability		**602,151**	**587,234**

Represented by:

	Note	2012 Restricted Funds £'000	2012 Unrestricted Funds £'000	2012 Total Funds £'000	2011 Total Funds £'000
Deferred capital grants	21	8,091	-	8,091	6,820
Endowments					
Expendable endowments	22	19,898	-	19,898	21,080
Permanent endowments	22	49,299	275,129	324,428	313,663
Reserves					
General reserves excluding pension reserve	23	-	239,477	239,477	240,809
Pension reserve	23	-	(5,160)	(5,160)	(2,155)
Corporate capital reserve	23	-	12,959	12,959	2,704
Fixed asset investment revaluation reserve	23	-	2,458	2,458	4,313
Total Funds		**77,288**	**524,863**	**602,151**	**587,234**

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Professor Christopher Dobson
Master

Chris Ewbank
Senior Bursar

The notes numbered 1 to 33 form part of these Financial Statements

Consolidated Cash Flow Statement

Year to 30 June	Note	2012 £'000	Restated (note 33) 2011 £'000
Net cash outflow from operating activities	25	(7,531)	(7,056)
Returns on investments and servicing of finance	26a	7,283	8,079
Contribution under Statute G,II	26b	(708)	(694)
Capital expenditure and financial investment	26c	7,223	(2,039)
Cash inflow/(outflow) before management of liquid resources		**6,267**	**(1,710)**
Management of liquid resources			
(Increase)/decrease in short term deposits		(8,668)	2,863
Financing			
Bank loan drawn down in year		8,000	3,000
Increase in cash in the year	27	**5,599**	**4,153**

RECONCILIATION IN NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

Increase in cash in the year	27	5,599	4,153
New bank loan		(8,000)	(3,000)
Cash outflow/(inflow) from change in liquid resources		8,668	(2,863)
Change in net debt		**6,267**	**(1,710)**
Net debt at beginning of year		(1,737)	(27)
Net funds/(debt) at end of year	27	**4,530**	**(1,737)**

The notes numbered 1 to 33 form part of these Financial Statements

Notes to the Financial Statements

1. ACADEMIC FEES AND CHARGES

College Fees

	2012 £'000	2011 £'000
Fee income paid on behalf of undergraduates at the Publicly-funded undergraduate fee rate (per capita fee £3,951 (2011: £3,861))	2,081	2,079
Privately-funded undergraduate fee income (per capita fee £4,980 (2011: £4,683))	308	313
Fee income received at the Graduate fee rate (per capita fee £2,289 (2011: £2,229))	503	555
	2,892	2,947
Other Educational income	368	379
Total	**3,260**	**3,326**

2. RESIDENCES, CATERING AND CONFERENCES INCOME

	2012 £'000	2011 £'000
Accommodation:		
College Members	3,707	3,319
Conferences	488	591
Catering:		
College Members	1,274	1,388
Conferences	676	821
Total	**6,145**	**6,119**

3. ENDOWMENT AND INVESTMENT INCOME

3a Analysis of Income

	Note	2012 £'000	2011 £'000
Freehold land and buildings		8,580	8,567
Quoted securities – equities		1,880	1,846
Fixed interest securities		241	475
Cash		191	112
St John's Innovation Centre and endowment income within other subsidiary Undertakings		1,304	1,566
Total	3b	**12,196**	**12,566**

3b Allocation of Income

	Note	2012 £'000	2011 £'000
Income belonging to:			
Permanent funds accounted for on a Total Return basis	3c	11,063	11,334
Permanent funds accounted for on a Standard Income basis	3d	109	137
Expendable funds	3e	1,024	1,095
Total Income	3a	**12,196**	**12,566**

3. ENDOWMENT AND INVESTMENT INCOME (continued)

3c Permanent Funds Accounted for on a Total Return Basis

	Note	2012 £'000	Restated (note 33) 2011 £'000
Endowment Income	3b	11,063	11,334
Apportioned gains on Endowment assets		22,062	19,469
Total Return for the year		33,125	30,803
Unapplied Total Return for the year included within change in market value of Endowment assets in the Consolidated Statement of Total Recognised Gains & Losses	24	(17,851)	(15,904)
Endowment drawdown included in Income & Expenditure	3f	**15,274**	**14,899**

For the Permanent Endowment Funds invested on a Total Return basis, the total actual income and gains/losses in the year are taken to a reserve from which the planned Endowment drawdown is released to the Income and Expenditure Account. The remaining balance of the Total Return, after deducting the drawdown, is accumulated within the endowment fund as set out in Note 22.

3d Permanent Funds Accounted for on a Standard Income Basis

	Note	2012 £'000	2011 £'000
Other Endowment Income	3b, 3f	**109**	**137**

3e Expendable Funds

	Note	2012 £'000	2011 £'000
Other Endowment and investment income	3b, 3f	**1,024**	**1,095**

3f Reconciliation of Endowment and investment income included in the Income and Expenditure Account

	Note	2012 £'000	Restated (note 33) 2011 £'000
Endowment drawdown from permanent funds accounted for on a Total Return basis	3c	15,274	14,899
Endowment income from permanent funds accounted for on a Standard Income basis	3d	109	137
Endowment and investment income from Expendable funds	3e	1,024	1,095
Total Endowment and investment income	3h	**16,407**	**16,131**

3g Investment Management Costs

	2012 £'000	Restated (note 33) 2011 £'000
Investment portfolio	**641**	**782**

Investment management costs associated with the management of the College's investment portfolio are capitalised. These have not, therefore, been included in the Income and Expenditure Account.

Other Investment management costs were as follows:

	Note	2012 £'000	Restated (note 33) 2011 £'000
Land and buildings		2,807	2,920
St John's Innovation Centre and endowment costs from other subsidiary undertakings		1,181	1,315
Other investments		70	50
Total	3h	**4,058**	**4,285**

3. ENDOWMENT AND INVESTMENT INCOME (continued)

3h Net Endowment and investment income

	Note	2012 £'000	2011 £'000
Income	3f	16,407	16,131
Costs	3g	(4,058)	(4,285)
Net Income		**12,349**	**11,846**
(being Endowment and investment income as defined by RCCA)			

4. REVENUE DONATIONS

	Note	2012 £'000	2011 £'000
Unrestricted donations		407	99
Restricted donations		644	566
Released from deferred capital grants	21	86	85
Total revenue donations		**1,137**	**750**

Additional Information: Reconciliation of Donations and Benefactions Received
The College received the following gifts in the year ended 30 June 2012 (including donations of shares)

	At beginning of year £'000	Received £'000	Recognised in Income & Expenditure Account £'000	At end of year 2012 £'000
Revenue donations of cash and shares	407	964	962	409
Deferred capital grants	6,820	1,357	86	8,091
Capital benefactions and donations		2,297		
Total funds raised during the year, excluding heritage assets		**4,618**		
Donations of heritage assets			89	
Total Revenue donations			**1,137**	

5. OTHER INCOME

	2012 £'000	Restated (note 33) 2011 £'000
Surplus on disposal of fixed assets	-	166
Quincentenary	57	91
Miscellaneous	140	152
Total	**197**	**409**

6. EDUCATION EXPENDITURE

	2012 £'000	2011 £'000
Teaching	3,682	3,712
Tutorial	1,733	1,522
Admissions	586	529
Research	1,364	1,480
Scholarships and awards	2,018	1,841
Other educational facilities	398	445
Total	**9,781**	**9,529**

7. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

	2012 £'000	2011 £'000
Accommodation:		
College Members	8,112	7,398
Conferences	398	357
Catering:		
College Members	2,834	2,680
Conferences	653	669
Total	**11,997**	**11,104**

8. OTHER EXPENDITURE

	2012 £'000	Restated (note 33) 2011 £'000
Fundraising and alumni relations	801	766
Chapel & Choir (other than Tutorial related)	906	944
Quincentenary	380	281
Miscellaneous expenditure (including charitable gifts)	117	240
Total	**2,204**	**2,231**

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

9a 2012 Expenditure

	Note	Staff Costs (note 10) £'000	Other Operating Expenses £'000	Depreciation (note 11) £'000	Interest and other finance costs £'000	2012 Total £'000
Education	6	4,705	3,837	1,054	185	**9,781**
Residences, catering and conferences	7	5,699	2,435	3,286	577	**11,997**
Investment management costs	3g	678	3,361	16	3	**4,058**
School		3,418	1,458	133	193	**5,202**
Other	8	733	1,471	-	-	**2,204**
Total expenditure		**15,233**	**12,562**	**4,489**	**958**	**33,242**

9b 2011 Expenditure Restated (note 33)

	Note	Staff Costs (note 10) £'000	Other Operating Expenses £'000	Depreciation (note 11) £'000	Interest and other finance costs £'000	2011 Total £'000
Education	6	4,405	3,735	1,212	177	**9,529**
Residences, catering and conferences	7	4,897	2,560	3,182	465	**11,104**
Investment management costs	3g	754	3,512	19	-	**4,285**
School		3,409	1,410	47	-	**4,866**
Other	8	731	1,500	-	-	**2,231**
Total expenditure		**14,196**	**12,717**	**4,460**	**642**	**32,015**

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

9c Auditor's remuneration

		2012 £'000	2011 £'000
Other operating expenses include:			
Audit fees payable to the College's external auditor			
	in respect of the current period	68	69
	in respect of previous periods	16	2
		84	71
Other fees payable to the College's external auditor			
	in respect of the current period	10	13
	in respect of previous periods	11	-
		21	13
Audit fees payable to other firms			
	in respect of the current period	8	6
	in respect of previous periods	2	2
		10	8

9d Operating leases

	2012 £'000	2011 £'000
Other operating expenses include the following operating lease rentals:		
For equipment	63	46

10. STAFF COSTS

Staff Costs	College Fellows £'000	Other Academic £'000	Non-Academic £'000	2012 Total £'000	Restated (note 33) 2011 Total £'000
Emoluments	1,783	97	10,703	12,583	11,574
Social security costs	137	5	875	1,017	884
Other pension costs	236	16	1,381	1,633	1,738
Total	**2,156**	**118**	**12,959**	**15,233**	**14,196**

Staff Numbers	College Fellows	Other Academic	Non-Academic	2012 Total	2011 Total
Stipendary Fellows	94	-	-	94	90
Average staff numbers (full-time equivalents)	-	6	354	360	360
Total	**94**	**6**	**354**	**454**	**450**

	2012	2011
The Governing Body of the College, comprising all Fellows, at 30 June was	146	138

Average staff numbers (full-time equivalents) includes 95 (2011: 92) School staff and 18 (2011:18) staff employed by the St John's Innovation Centre.

There were no officers or employees of the College, including Head of House and School, who received emoluments (excluding employer pension contributions) in excess of £100,000. The number of employees of the College's subsidiary undertakings who received emoluments (excluding employer pension contributions) in excess of £100,000 were as follows:

	2012	2011
Between £100,000 and £110,000	1	1

11. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Assets under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Heritage assets £'000	2012 Total £'000	2011 Total £'000
Cost/Valuation							
At beginning of year	259,039	3,222	2,188	1,187	381	266,017	258,518
Additions at cost	3,012	5,181	71	173	89	8,526	8,016
Disposals at cost	-	-	(95)	(192)	-	(287)	(517)
Transfers	307	412	-	-	-	719	-
At end of year	262,358	8,815	2,164	1,168	470	274,975	266,017
Depreciation							
At beginning of year	27,235	-	1,346	869	-	29,450	25,099
Charge for the year	3,994	-	306	189	-	4,489	4,460
Eliminated on disposals	-	-	(95)	(192)	-	(287)	(109)
At end of year	31,229	-	1,557	866	-	33,652	29,450
Net Book value							
At end of year	**231,129**	**8,815**	**607**	**302**	**470**	**241,323**	**236,567**
At beginning of year	231,804	3,222	842	318	381	236,567	233,419

College	Freehold land and buildings £'000	Assets under construction £'000	Furniture and equipment £'000	Computer equipment £'000	Heritage assets £'000	2012 Total £'000	2011 Total £'000
Cost/Valuation							
At beginning of year	259,442	3,222	2,010	1,187	381	266,242	258,759
Additions at cost	3,010	5,181	73	173	89	8,526	8,000
Disposals at cost	-	-	-	(192)	-	(192)	(517)
Transfers	307	412	-	-	-	719	-
At end of year	262,759	8,815	2,083	1,168	470	275,295	266,242
Depreciation							
At beginning of year	27,254	-	1,219	869	-	29,342	25,002
Charge for the year	4,001	-	293	189	-	4,483	4,449
Eliminated on disposals	-	-	-	(192)	-	(192)	(109)
At end of year	31,255	-	1,512	866	-	33,633	29,342
Net Book value							
At end of year	**231,504**	**8,815**	**571**	**302**	**470**	**241,662**	**236,900**
At beginning of year	232,188	3,222	791	318	381	236,900	233,757

Freehold land and buildings comprise the operational buildings and site of the College. Assets under construction include the Divinity Project costs. This will provide new educational facilities for the College. The Heritage assets comprise books gifted to the College.

The insured value of freehold buildings as at 30 June 2012 was £281,310k (2011: £279,329k).

The cost to the group of freehold buildings consists of the costs incurred by the College less the surplus recorded in the accounts of Aquila Investments Limited, a subsidiary undertaking, and eliminated on consolidation.

11. TANGIBLE FIXED ASSETS (continued)

Heritage Assets

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. As stated in the statement of principal accounting policies, heritage assets acquired since 1 July 2007 have been capitalised. However, the majority of assets held in the College's collections were acquired prior to this date. As reliable estimates of cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result, the total included in the balance sheet is partial.

Amounts for the current and previous four years were as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Value of acquisitions by donation	89	53	60	68	200
Total Acquisitions Capitalised	**89**	**53**	**60**	**68**	**200**

All the above recognised Heritage Assets were donated to the College rather than purchased by the College.

12. FIXED ASSET INVESTMENTS

Excluding assets belonging to Endowment Funds	Note	Group 2012 £'000	Group 2011 £'000	College 2012 £'000	College 2011 £'000
Quoted securities – equities		16,619	21,015	16,619	21,015
Fixed interest securities		2,100	1,567	2,100	1,567
Other securities		4,566	4,922	4,566	4,922
Cash at investment managers		2,543	1,373	2,543	1,373
Total		**25,828**	**28,877**	**25,828**	**28,877**

Reconciliation including assets belonging to Endowment Funds

	Note	Group 2012	Group 2011	College 2012	College 2011
Balance at beginning of year		359,048	333,795	363,620	335,746
Additions		82,949	46,294	82,949	46,299
Disposals		(98,764)	(48,455)	(98,764)	(45,811)
Investment properties transferred to Operational use		(719)	-	(719)	-
Reversal of impairment		-	-	730	-
Increase in Market value		18,406	24,934	18,405	24,906
Foreign exchange gains linked to investments		74	1,043	74	1,043
Other increases in investment cash balances held		3,836	1,437	3,836	1,437
Balance at end of year		**364,830**	**359,048**	**370,131**	**363,620**
Included in Endowment Assets	13	(339,002)	(330,171)	(344,303)	(334,743)
Fixed Asset Investments		**25,828**	**28,877**	**25,828**	**28,877**

The impairment of the College's investment in one of its subsidiary undertakings, Lomas Developments Limited, was partially reversed during the year ended 30 June 2012. This did not alter the net assets of the group. The impairment charge which was partially reversed was originally recognised in the year ended 30 June 2010.

13. ENDOWMENT ASSETS

	Group 2012 £'000	Group 2011 £'000	College 2012 £'000	College 2011 £'000
Long term investments:				
Property	195,942	186,684	191,641	182,384
Quoted securities – equities	69,096	73,482	69,096	73,482
Fixed interest securities	16,547	12,506	16,547	12,506
Investments in subsidiary undertakings	-	-	9,602	8,872
Other securities	45,223	48,046	45,223	48,046
Cash at investment managers	12,194	9,453	12,194	9,453
Total investments	**339,002**	**330,171**	**344,303**	**334,743**
Gift aid balances not recovered by year end	23	-	23	-
Total	**339,025**	**330,171**	**344,326**	**334,743**

At the year end there was one (2011: two) forward exchange contract outstanding. This partially hedges the exchange movement on endowment assets held in foreign currencies. The contract matured on 24 September 2012 (2011: 23 September 2011). At the year end there was a 32.7m USD contract (2011: 26.8m USD) with a fair value of (£80,000) (2011: £105,000). There was no Euro contract at the year end (2011: 0.3m Euro, fair value of £5,000).

14. STOCKS

	Group 2012 £'000	Group 2011 £'000	College 2012 £'000	College 2011 £'000
Goods for resale	616	564	502	470
Other stocks	39	43	34	39
Total stocks	**655**	**607**	**536**	**509**

15. DEBTORS

	Group 2012 £'000	Group 2011 £'000	College 2012 £'000	College 2011 £'000
Amounts due within one year:				
Net sums due from members of the College	266	363	266	363
Amounts due from subsidiary undertakings	-	-	3,421	3,690
Other trade debtors	662	964	485	461
Other loans	19	20	19	20
Other taxes	55	76	31	62
Other debtors	69	101	69	101
Prepayments	423	93	390	60
Accrued income	428	502	389	498
	1,922	2,119	5,070	5,255
Amounts due after more than one year:				
Other loans	163	172	163	172
Accrued income	119	90	119	90
	282	262	282	262
Total Debtors	**2,204**	**2,381**	**5,352**	**5,517**

Sums due from members of the College are shown net of student prepayments of £978k (2011: £940k)

16. CURRENT ASSET INVESTMENTS

	Group and College 2012 £'000	Group and College Restated (note 33) 2011 £'000
Fixed term bank deposits	1,000	275
Short term bank deposits	14,672	6,004
	15,672	**6,279**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		College	
	2012 £'000	**2011 £'000**	**2012 £'000**	**2011 £'000**
Trade creditors	887	1,315	736	1,145
Members of the College	198	190	198	190
Amounts due to subsidiary undertakings	-	-	8,197	8,425
University fees	-	279	-	279
Contribution under Statute G,II	708	708	708	708
Other creditors	2,804	3,751	2,704	3,619
Accruals and deferred income	2,849	922	2,602	764
Total	**7,446**	**7,165**	**15,145**	**15,130**

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and College 2012 £'000	Group and College 2011 £'000
Bank loans	20,000	12,000
Other creditors	84	78
Deferred income	84	94
Total	**20,168**	**12,172**

The bank loan which was entered into in 2006 is unsecured and repayable after 2015. The interest rate is fixed at 5.16% between July 2011 and June 2036.

19. PROVISIONS FOR LIABILITIES

No provisions for liabilities or charges were recognised, used, or outstanding in the years ended 30 June 2012 or 30 June 2011.

20. PENSION LIABILITIES (NOTE 30)

	Group and College 2012 £'000	Group and College 2011 £'000
Balance at beginning of year	2,155	5,798
Movement in year:		
Current service cost including life assurance	901	1,012
Contributions	(1,213)	(1,192)
Other finance cost	2	173
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	3,315	(3,636)
Balance at end of year	**5,160**	**2,155**

21. DEFERRED CAPITAL GRANTS

Group and College

	Grants £'000	Donations £'000	2012 £'000	2011 £'000
Balance at beginning of year	4,648	2,172	6,820	5,465
Grants and donations received	1,350	1	1,351	1,436
Interest received on balances not yet spent	6	-	6	4
Released to income and expenditure account (note 4)	(41)	(45)	(86)	(85)
Balances at end of year	**5,963**	**2,128**	**8,091**	**6,820**

All the above Deferred Capital Grants are for the purpose of acquiring buildings.

22. ENDOWMENTS

Group	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2012 Total £'000	2011 Total £'000
Balance at beginning of year:						
Capital	151,369	27,267	178,636	20,789	199,425	192,163
Unapplied Total Return	110,945	19,378	130,323	-	130,323	109,179
Unspent income	-	132	132	291	423	405
	262,314	46,777	309,091	21,080	330,171	301,747
New endowments received	312	1,716	2,028	269	2,297	3,411
Income receivable from endowment asset investments	10,155	1,173	11,328	401	11,729	11,205
Expenditure funded out of income	(10,155)	(1,152)	(11,307)	(472)	(11,779)	(11,146)
Net transfer (to)/from income and expenditure account	-	21	21	(71)	(50)	59
Expenditure funded out of capital	-	-	-	(368)	(368)	(180)
Transfer (to)/from Corporate Capital reserve	(10,984)	-	(10,984)	-	(10,984)	3,874
Transfers in respect of reserves repatriated from subsidiary undertakings	-	-	-	-	-	2,194
Other transfers	1	1,399	1,400	106	1,506	20
Increase/(decrease) in market value of investments	18,153	(634)	17,519	(1,127)	16,392	17,997
Foreign exchange gains linked to investments	32	20	52	9	61	1,043
Dilapidations (capital income)	-	-	-	-	-	6
Balance at end of year	**269,828**	**49,299**	**319,127**	**19,898**	**339,025**	**330,171**
Comprising:						
Capital	140,696	28,583	169,279	19,697	188,976	199,425
Unapplied Total Return	129,132	20,685	149,817	-	149,817	130,323
Unspent income-	-	31	31	201	232	423
	269,828	**49,299**	**319,127**	**19,898**	**339,025**	**330,171**
Analysed by Primary Purpose:						
Chapel/Choir	-	505	505	1,619	2,124	2,205
Education	-	3,221	3,221	1,932	5,153	5,263
Field Sports	-	2,309	2,309	-	2,309	2,375
Library	-	187	187	862	1,049	1,123
LMBC	-	634	634	-	634	648
Maintenance	-	-	-	592	592	633
Research	-	6,154	6,154	86	6,240	6,556
Scholarship/Awards	-	33,254	33,254	13,913	47,167	47,266
School	-	616	616	705	1,321	1,143
Other	-	2,419	2,419	189	2,608	645
General Endowments	269,828	-	269,828	-	269,828	262,314
Total	**269,828**	**49,299**	**319,127**	**19,898**	**339,025**	**330,171**

Included in Unrestricted Permanent Endowments is £264,708k (2011: £257,179k) of Corporate Capital, representing 93.5% (2011: 97.2%) of the Group's total Corporate Capital. The balance is in the Corporate Capital reserve (see note 23).

22. ENDOWMENTS (continued)

College	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2012 Total £'000	2011 Total £'000
Balance at beginning of year:						
Capital	155,941	27,267	183,208	20,789	203,997	194,114
Unapplied Total Return	110,945	19,378	130,323	-	130,323	109,179
Unspent income	-	132	132	291	423	405
	266,886	46,777	313,663	21,080	334,743	303,698
New endowments received	312	1,716	2,028	269	2,297	3,411
Income receivable from endowment asset investments	10,155	1,173	11,328	401	11,729	13,399
Expenditure funded out of income	(10,155)	(1,152)	(11,307)	(472)	(11,779)	(11,146)
Net result	-	21	21	(71)	(50)	2,253
Expenditure funded out of capital	-	-	-	(368)	(368)	(180)
Transfer to Corporate Capital reserve	(10,255)	-	(10,255)	-	(10,255)	6,495
Other transfers	1	1,399	1,400	106	1,506	20
Increase/(decrease) in market value of investments	18,153	(634)	17,519	(1,127)	16,392	17,997
Foreign exchange gains linked to investments	32	20	52	9	61	1,043
Dilapidations (capital income)	-	-	-	-	-	6
Balance at end of year	**275,129**	**49,299**	**324,428**	**19,898**	**344,326**	**334,743**
Comprising:						
Capital	145,997	28,583	174,580	19,697	194,277	203,997
Unapplied Total Return	129,132	20,685	149,817	-	149,817	130,323
Unspent income	-	31	31	201	232	423
	275,129	**49,299**	**324,428**	**19,898**	**344,326**	**334,743**
Analysed by Primary Purpose:						
Chapel/Choir	-	505	505	1,619	2,124	2,205
Education	-	3,221	3,221	1,932	5,153	5,263
Field Sports	-	2,309	2,309	-	2,309	2,375
Library	-	187	187	862	1,049	1,123
LMBC	-	634	634	-	634	648
Maintenance	-	-	-	592	592	633
Research	-	6,154	6,154	86	6,240	6,556
Scholarship/Awards	-	33,254	33,254	13,913	47,167	47,266
School	-	616	616	705	1,321	1,143
Other	-	2,419	2,419	189	2,608	645
General Endowments	275,129	-	275,129	-	275,129	266,886
Total	**275,129**	**49,299**	**324,428**	**19,898**	**344,326**	**334,743**

Included in Unrestricted Permanent Endowments is £270,009k (2011: £261,751k) of Corporate Capital, representing 95.4% (2011: 99.0%) of the College's total Corporate Capital. The balance is in the Corporate Capital reserve (see note 23).

In the year ended 30 June 2011, the net result of £2,253k for the endowments in the College exceeded the net transfer from the Consolidated income and expenditure account by £2,194k. This related to reserves repatriated to the College from subsidiary undertakings (see note 24).

23. RESERVES

Group	General reserves £'000	Fixed asset investment revaluation reserve £'000	Corporate Capital reserve £'000	2012 Total £'000	2011 Total £'000
Balance at beginning of year	239,069	4,313	7,276	250,658	250,209
Deficit retained for the year	(1,059)	-	-	(1,059)	(651)
Actuarial (loss)/gain	(3,315)	-	-	(3,315)	3,636
Transfer in respect of disposals or reallocations of fixed asset investments	387	(387)	-	-	-
(Decrease)/increase in market value of fixed asset investments	-	(1,468)	-	(1,468)	3,372
Foreign exchange gains linked to fixed asset investments	13	-	-	13	-
Net Transfers from/(to) Corporate Capital Endowment	-	-	10,984	10,984	(6,068)
Net transfers to other Endowments	(1,506)	-	-	(1,506)	(20)
Transfers on spending Expendable Endowments	368	-	-	368	180
Balance at end of year	**233,957**	**2,458**	**18,260**	**254,675**	**250,658**

College	General reserves £'000	Fixed asset investment revaluation reserve £'000	Corporate Capital reserve £'000	2012 Total £'000	2011 Total £'000
Balance at beginning of year	238,654	4,313	2,704	245,671	245,645
Deficit retained for the year	(284)	-	-	(284)	(646)
Actuarial (loss)/gain	(3,315)	-	-	(3,315)	3,636
Transfer in respect of disposals or reallocations of fixed asset investments	387	(387)	-	-	-
(Decrease)/increase in market value of fixed asset investments	-	(1,468)	-	(1,468)	3,372
Foreign exchange gains linked to fixed asset investments	13	-	-	13	-
Net Transfers from/(to) Corporate Capital Endowment	-	-	10,255	10,255	(6,495)
Net transfers to other Endowments	(1,506)	-	-	(1,506)	(21)
Transfers on spending Expendable Endowments	368	-	-	368	180
Balance at end of year	**234,317**	**2,458**	**12,959**	**249,734**	**245,671**

24. MEMORANDUM OF UNAPPLIED TOTAL RETURN

Included within endowments, the following amounts represent the Unapplied Total Return of the College's Permanent funds managed on a total return basis:

Group	Note	**2012 £'000**	**2011 £'000**
Unapplied Total Return at beginning of year	22	130,323	109,179
Opening Unapplied Total Return of funds adopting total return for the first time in the year		1,643	3,046
Unapplied Total Return for the year	3c	17,851	15,904
Transfer in respect of reserves repatriated from subsidiary undertakings		-	2,194
Unapplied Total Return at end of year	22	**149,817**	**130,323**

College	Note	**2012 £'000**	**2011 £'000**
Unapplied Total Return at beginning of year	22	130,323	109,179
Opening Unapplied Total Return of funds adopting total return for the first time in the year		1,643	3,046
Unapplied Total Return for the year		17,851	18,098
Unapplied Total Return at end of year	22	**149,817**	**130,323**

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

	2012 £'000	**Restated (note 33) 2011 £'000**
(Deficit)/surplus on continuing operations before Contribution under Statute G,II	(401)	116
Depreciation of tangible fixed assets	4,489	4,460
Donations of heritage assets	(89)	(53)
Surplus on disposal of tangible fixed assets	-	(166)
Deferred capital grants released to income	(86)	(85)
Endowment and investment income less costs	(12,349)	(11,846)
Interest payable	956	469
Pension costs less contributions payable	(310)	(7)
Increase in operational stocks	(41)	(56)
Decrease/(increase) in operational debtors	265	(247)
Increase in operational creditors	35	359
Net cash outflow from operating activities	**(7,531)**	**(7,056)**

26. CASH FLOWS

26a Returns on investments and servicing of finance

	2012 £'000	Restated (note 33) 2011 £'000
Endowment and investment income received less costs paid	8,092	8,237
Interest paid	(956)	(469)
Increase in investment stocks	(7)	(27)
(Increase)/decrease in investment debtors	(88)	159
Increase in investment creditors	196	168
Increase in accrued interest payable	46	11
Net cash inflow from returns on investments and servicing of finance	**7,283**	**8,079**

26b Contribution under Statute G,ll

	2012 £'000	2011 £'000
Contribution payable for the year	(708)	(708)
Increase in accrued contribution payable	-	14
Net cash outflow from contribution under Statute G,ll	**(708)**	**(694)**

26c Capital expenditure and financial investment

	2012 £'000	2011 £'000
Purchase of tangible fixed assets	(8,437)	(7,963)
Donations for buildings and other deferred capital grants received	1,357	1,440
Dilapidations income	-	6
Proceeds of disposal of tangible fixed assets	-	574
Net sale of long-term investments	12,755	993
Net movement in fixed-term bonds	(725)	(499)
New endowments received	2,273	3,410
Net cash inflow/(outflow) from capital expenditure and financial investment	**7,223**	**(2,039)**

27. ANALYSIS OF CASH AND BANK BALANCES

	Note	Restated (note 33) At beginning of year £'000	Cash flows £'000	At end of year £'000
Cash at bank and in hand		4,259	5,599	9,858
Total cash		4,259	5,599	9,858
Short term deposits	16	6,004	8,668	14,672
Debt due after 1 year	18	(12,000)	(8,000)	(20,000)
Net (debt)/funds		**(1,737)**	**6,267**	**4,530**

28. CAPITAL COMMITMENTS

Capital commitments at 30 June were as follows:	2012 £'000	2011 £'000
Authorised and contracted	**6,589**	**7,286**

29. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases at 30 June were as follows:	Group 2012 £'000	Group 2011 £'000	College 2012 £'000	College 2011 £'000
Expiring within one year	11	5	5	5
Expiring between one and five years	32	36	31	29
Expiring after five years	9	6	9	6
	52	**47**	**45**	**40**

30. PENSION SCHEMES

The College and its subsidiary undertakings participate in a number of defined benefit and defined contribution schemes.

The total pension cost for the year was as follows:

	2012 £'000	2011 £'000
Cambridge Colleges' Federated Pension Scheme	901	1,012
Universities Superannuation Scheme	266	257
Teachers' Pension Scheme	266	272
Church of England Funded Pensions Scheme	7	8
Defined Contribution Pension Schemes	100	104
	1,540	**1,653**

Cambridge Colleges' Federated Pension Scheme

The College is a member of a multi-employer defined benefits scheme, the Cambridge Colleges' Federated Pension Scheme. A full valuation was undertaken as at 31 March 2011 and updated to 30 June 2012 by a qualified independent Actuary. The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

		2012 % p.a.	2011 % p.a.
Discount rate		4.7	5.5
Expected long-term rate of return on Scheme assets		5.6	6.2
Salary inflation:	For next year	1.5	2.0
	Over long term	2.2	3.2
Inflation:	RPI	2.7	3.4
	CPI	1.7	2.7
Pension increases (RPI linked)		2.7	3.4

The underlying mortality assumption is based upon the standard table known as Self-administered Pension Schemes (SAPS) mortality tables for average normal pensioners projected in line with the CMI 2011 projection and a target long-term improvement rate of 0.75% p.a. The allowance for improvements has been updated from 2011 when the CMI 2009 projection table was adopted. This results in the following life expectancies:

- Male age 65 now has life expectancy of 21.9 years.
- Female aged 65 now has a life expectancy of 24.1 years.
- Male aged 45 now and retiring in 20 years would have a life expectancy then of 22.8 years.
- Female aged 45 now and retiring in 20 years would have a life expectancy then of 25.3 years.

Employee Benefit Obligations

The amounts recognised in the Balance Sheet as at 30 June 2012 (with comparative figures as at 30 June 2011) are as follows:

	2012 £'000	2011 £'000
Present value of Scheme liabilities	(20,999)	(18,945)
Market value of Scheme assets	15,839	16,790
Deficit in the Scheme	**(5,160)**	**(2,155)**

30. PENSION SCHEMES (continued)

The amounts to be recognised in Income and Expenditure for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) are as follows:

	2012 £'000	2011 £'000
Current service cost	901	1,012
Interest on Scheme liabilities	1,057	1,055
Expected return on Scheme assets	(1,056)	(882)
Total	**902**	**1,185**
Actual return on Scheme assets	**(1,876)**	**1,995**

Changes in the present value of the Scheme liabilities for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) are as follows:

	2012 £'000	2011 £'000
Present value of Scheme liabilities at beginning of period	18,945	19,474
Service cost including Employee contributions	1,174	1,279
Interest cost	1,057	1,055
Actuarial losses/(gains)	384	(2,523)
Benefits paid	(561)	(340)
Present value of Scheme liabilities at end of period	**20,999**	**18,945**

Changes in the fair value of the Scheme assets for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) are as follows:

	2012 £'000	2011 £'000
Market value of Scheme assets at beginning of period	16,790	13,676
Expected return	1,056	882
Actuarial (losses)/gains	(2,932)	1,113
Contributions paid by the College	1,213	1,192
Employee contributions	273	267
Benefits paid	(561)	(340)
Market value of Scheme assets at end of period	**15,839**	**16,790**

The agreed contributions to be paid by the College for the forthcoming year are 13.45% of Contribution Pay plus £38,996 p.a. to cover expenses, subject to review at future actuarial valuations. This rate excludes PHI.

The major categories of Scheme assets as a percentage of total Scheme assets for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) are as follows:

	2012	2011
Equities & Hedge Funds	66%	56%
Bonds & Cash	25%	36%
Property	9%	8%
Total	**100%**	**100%**

The expected long term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities and hedge funds of 6.4% (2011: 7.1%), an expected rate of return on properties of 5.4% (2011: 6.1%) and an expected rate of return on bonds and cash of 3.7% (2011: 4.8%).

30. PENSION SCHEMES (continued)

The analysis of the amount recognisable in the Consolidated Statement of Total Recognised Gains and Losses (STRGL) for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) is as follows:

	2012 £'000	2011 £'000
Actual return less expected return on Scheme assets	(2,932)	1,113
Experience gains and losses arising on Scheme liabilities	(105)	80
Changes in assumptions underlying the present value of Scheme liabilities	(278)	2,443
Actuarial (loss)/gain recognised in STRGL	**(3,315)**	**3,636**

The cumulative amount of actuarial gains and losses recognised in the STRGL for the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) is as follows:

	2012 £'000	2011 £'000
Cumulative actuarial loss at beginning of period	(739)	(4,375)
Recognised during the period	(3,315)	3,636
Cumulative actuarial loss at end of period	**(4,054)**	**(739)**

Movements in the deficit during the year ended 30 June 2012 (with comparative figures for the year ended 30 June 2011) are as follows:

	2012 £'000	2011 £'000
Deficit in Scheme at beginning of year	(2,155)	(5,798)
Service Cost (Employer Only)	(901)	(1,012)
Contributions paid by the College	1,213	1,192
Finance Cost	(2)	(173)
Actuarial (losses)/gains	(3,315)	3,636
Deficit in Scheme at the end of the year	**(5,160)**	**(2,155)**

Amounts for the current and previous four accounting periods are as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of Scheme liabilities	(20,999)	(18,945)	(19,474)	(15,837)	(14,944)
Market value of Scheme assets	15,839	16,790	13,676	11,217	11,183
Deficit in the Scheme	**(5,160)**	**(2,155)**	**(5,798)**	**(4,620)**	**(3,761)**
Actual return less expected return on Scheme assets	(2,932)	1,113	815	(1,612)	(1,325)
Experience (loss)/gain arising on Scheme liabilities	(105)	80	495	(238)	(352)
Change in assumptions underlying present value of Scheme liabilities	(278)	2,443	(2,638)	1,009	(289)

Universities Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of which at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

30. PENSION SCHEMES (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An “inflation risk premium” adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England’s target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members’ mortality	S1NA [“light”] YoB tables – No age rating
Female members’ mortality	S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates, the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme’s technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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. On the scheme’s historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

30. PENSION SCHEMES (continued)

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.
These include:

New Entrants
Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age
The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing
If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

30. PENSION SCHEMES (continued)

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the College had 81 (2011:70) active members participating in the scheme.

The total pension cost for the College was £266,000 (2011: £257,000). This is net of/includes £nil (2011:£nil) prepaid/outstanding contributions at the balance sheet date. The contribution rate payable by the College was 16% of pensionable salaries.

Teachers' Pension Scheme

The College participates in the Teachers' Pension Scheme. This is a statutory, contributory, final salary scheme. The College is unable to identify its share of the underlying assets and liabilities and each employer in the scheme pays a common contribution rate. Since January 2007 the employer's contribution has been 14.1% of salary.

For schemes such as the Teachers' Pension Scheme, paragraph 9(b) of FRS17 requires the College to account for pension costs on the basis of contributions actually payable to the scheme in the year. The total pension cost for the College was £265,000 (2011: £272,000).

Church of England Funded Pensions Scheme

The College participates in the Church of England Funded Pensions Scheme and employs 1 member of the Scheme (2011: 1) out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the College is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

30. PENSION SCHEMES (continued)

- An investment strategy of:
  - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
  - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- RPI inflation of 3.8% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance made for improvements in mortality rates from 2003 according to the "medium cohort" projections, and subject to a minimum annual improvement of 1.5% for males and 1.0% for females.

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

Following the results of the 2009 valuation, changes were made to benefits being built up in the Scheme from 1 January 2011 and the College contribution rate was set at 38.2% of pensionable stipends.

Contribution rates will be reviewed at the next valuation of the Scheme, due no later than as at 31 December 2012.

Defined Contribution Pension Schemes

The College and its subsidiaries operate a number of defined contribution schemes for which the pension cost charge for the year amounted to £100,000 (2011: £104,000).

31. RELATED PARTY TRANSACTIONS

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

The College maintains a register of interests for all College Council members, and where any member of the College Council has a material interest in a matter of business before the Council they are obliged under the standing orders of the College to declare that fact.

During the year no fees or expenses were paid to Fellows in respect of their duties as trustees, except that one Fellow was paid £1k (2011: £1k) in their role as Secretary of the College Council.

Fellows are remunerated for teaching, research and other duties within the College, Fellows are billed for any private catering. The College also offers Fellows and staff assistance with housing costs on a shared equity basis and has a housing allowance scheme to assist Fellows' in the first four years after joining the Fellowship. The School provides a discount on school fees to its staff as part of its terms of appointment; where children of Fellows and other staff attend the School, they pay fees on the normal terms.

The College has a number of trading and dormant subsidiary undertakings which are consolidated into these accounts. All subsidiary undertakings are 100% owned by the College and are registered and operating in England and Wales.

32. SUBSIDIARY UNDERTAKINGS

The College's principal trading and dormant subsidiary undertakings at 30 June 2012 and 30 June 2011 were:

Undertaking	**Activity**
St John's Enterprises Limited	The provision of conference facilities and tourism administration at St John's College, Cambridge. The Company also undertakes activities in relation to medical insurance for the College.
Aquila Investments Limited	Building construction and repair, property development, energy supply and farming.
St John's Innovation Centre Limited	The provision of administrative and business support to tenants of St John's Innovation Centre and the encouragement of commercial application of intellectual property.
Lomas Developments Limited	Property development.
St John's College Development Limited	Dormant
Aquivar Management Services Limited	Dormant

33. PRIOR YEAR ADJUSTMENTS

The College has adopted a number of accounting policy changes for 2011-12 and therefore comparative figures have been restated to reflect the revised policies as follows:

(1) Endowment and investment income is shown gross after adding back investment costs. The effect is to increase Group income for the year ended 30 June 2011 by £4,285k and correspondingly to increase expenditure for that year by the same amount.

(2) The deficit for the year ended 30 June 2011 retained within general reserves on a distribution basis has been reduced by £186k. This relates to the capital drawdown of expendable unrestricted funds.

(3) The College has reclassified some of its short term bank deposits as liquid resources. This increases the Group's increase in cash in the year ended June 2011 by £2,863k. There is no impact on net debt.

(4) Changes in investment or borrowing-related stock, debtors and creditors have been treated as adjustments to the return on investments and servicing of finance cash flow rather than to operating cash flows. The effect has been to increase Group net cash outflow from operating activities in the year ended 30 June 2011 by £311k and correspondingly to increase Group net cash inflow from returns on investments and servicing of finance for the same period. There is no impact on the Group's overall cash flow.

(5) Income and Expenditure from St John's College School of £5,695k and £5,202k respectively have been disclosed on the face of the Income and Expenditure account rather than within Other income and Other expenditure.

(6) £366k of staff costs for St John's Innovation Centre which relate to property management have been reclassified in note 3g as relating to land and buildings rather than to subsidiary undertakings.

(7) Investment management costs for the year ended 30 June 2011 were understated by £433k and have therefore been updated to reflect the correct position.