

PETERHOUSE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

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PETERHOUSE

OBJECTS AND GOVERNANCE YEAR ENDED 30 JUNE 2011

Peterhouse is an autonomous, self-governing community of scholars and is the oldest of the 31 colleges within the University of Cambridge.

The “laudable design” of Hugo de Balsham, as expressed in the College’s founding instruments, was “to introduce scholars in the schools, who are to live together and study in the University of Cambridge; to dwell in the same [College] for ever, and employ themselves with appropriate study, to the praise of God and the perpetual augmentation of the same university.”

This forms the basis for the College’s statutory purpose, namely to advance education, religion, learning and research through the provision of a College in the University of Cambridge. The College pursues its charitable objects for the public benefit through a wide variety of activities, including:

- admitting undergraduates from a diverse range of educational, social and cultural backgrounds for University courses and admitting graduate students from those accepted by the University;
- providing, in conjunction with the University, a world-class education for undergraduates, particularly through College-based individual or small-group supervision and direction of studies;
- supporting students financially and rewarding excellence and achievement through the provision of bursaries, scholarships, prizes and a range of grants, as well as assisting students in particular financial hardship;
- providing pastoral, administrative and academic support for both undergraduates and graduate students through the Tutorial system and other welfare mechanisms;
- providing library, computing, cultural, sporting and social facilities to enable students to achieve their full potential both academically and otherwise;
- providing accommodation, catering and other services for both students and Fellows to underpin the concept of a multi-disciplinary academic community;
- promoting academic research of the highest quality through annual competitions for election to Research Fellowships and Research Studentships, through supporting the research activities of both Fellows and graduate students, and welcoming academic visitors from other institutions;
- maintaining services in the Chapel daily during Full Term, promoting the activities of the Choir and fostering the spiritual welfare of College members irrespective of denomination or faith;
- preserving and enhancing the endowments and benefactions, historic buildings and grounds of the College for the benefit of future generations.

As part of a collegiate university the long-term success of the College as a centre of academic and educational excellence is dependent upon the continuance of the University of Cambridge’s world-class standing.

Formally “The Master (or Keeper) and Fellows of Peterhouse in the University of Cambridge”, Peterhouse is a charitable corporation established by Letters Patent dated 31 March, 1284 and granted royal assent by Charter of King Edward I on 28 May, 1285. The College is a registered charity (No. 1137457), with its principal address at Trumpington Street, Cambridge, CB2 1RD.

The College is governed in accordance with its Statutes, made in 1926 and variously amended from time to time by Order of Her Majesty in Council. The Statutes of the University of Cambridge and specific legislation covering the University of Cambridge also apply to the College.

The Statutes of the College lay down the constitution and arrangements for governance of the College. They describe, among other things, the membership and responsibilities of the Governing Body; the election and duties of the Master; 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 Governing Body in accordance with the Statutes.

The Visitor of the College is the Bishop of Ely.

PETERHOUSE

OBJECTS AND GOVERNANCE (CONTINUED) YEAR ENDED 30 JUNE 2011

The Governing Body consists of the Master and the Official, Professorial and Supernumerary Fellows, and its members are the charity trustees of the College, appointed by the Governing Body in accordance with the Statutes of the College. The Governing Body is responsible for the strategic direction of the College, for its on-going administration and for the management of its finances and assets. It usually meets fortnightly during Full Term. All members of the Governing Body are given on appointment a copy of the Statutes and Financial Statements of the College, the policy of the College for the management of conflicts of interest and Charity Commission Leaflet CC3a.

The Master is elected to office by the members of the Governing Body; the Master is responsible for general oversight of the affairs of the College and chairs the Governing Body.

The other College Officers most involved in the governance of the College are as follows: the Senior Tutor, who has overall responsibility for the education and welfare of students; the Bursar, who is responsible for managing the College's finances and most of its domestic operations; and the Dean, who is responsible for overseeing the Chapel and representing the College in its role as patron of a number of parishes.

The Fellows also participate in the governance of the College through membership of a variety of committees established to support the work of the Governing Body, including the Development Committee, Education Committee, Finance Committee, Estates & Investments Committee, Research Fellowships Committee and Staff Committee. In addition, the Governing Body appoints two Examiners of Accounts and various Auditors every year to supplement the work of the external auditors.

The members of the Governing Body during the year ended 30 June 2011 were as follows:

Professor A K Dixon	Master
Mr M S Golding	Ward Librarian
Dr R J C Munday	Steward and Wine Steward
Dr P Pattenden	Senior Tutor, Graduate Admissions Tutor, Praelector, Garden Steward, Theatre Administrator, College Editor
Dr S N Solomou	
Professor M A Parker	
Professor P C Woodland	
Professor S F Deakin	
Dr S E Jackson	Undergraduate Admissions Tutor
Professor B P Simms	
Dr M C Jones	Tutor
Dr J N B Carleton Paget	Tutor
Professor A M L Lever	
Dr J M B Wallace	
Mr S H Mandelbrote	Undergraduate Admissions Tutor, Perne Librarian
Professor J Klinowski	
Professor P A Midgley	
Dr A J White	
Dr R I Ross Russell	
Dr C V H Baker	Tutor
Mr R S G Grigson	Senior Bursar
Dr D D Symons	
Dr M J Ryan	
Dr C D J Tilmouth	
The Revd Dr S W P Hampton	Dean
Dr A Zsak	
Dr C G Lester	
Professor W J Stirling	
Professor T M Crane	
Dr F M Becker (from 1 October)	
Dr M C Ledger-Lomas (from 1 October)	
Dr J A Kirshner (from 1 October)	
Dr S M Murk Jansen (from 1 January)	Development Director

PETERHOUSE

ADVISORS

YEAR ENDED 30 JUNE 2011

Solicitors

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

Property Managers

Bidwells LLP
Trumpington Road
Cambridge
CB2 9LD

Knight Frank LLP
20 Hanover Square
London
W1S 1HZ

Fund Managers

Morgan Stanley & Co International Limited
25 Cabot Square
Canary Wharf
London
E14 4QA

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 3BB

Auditors

Price Bailey LLP
Chartered Accountants and Statutory Auditors
The Quorum
Barnwell Road
Cambridge
CB5 8RE

Bankers

Barclays Bank PLC
Cambridge Business Centre
Cambridge
CB2 3PZ

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REVIEW OF ACTIVITIES YEAR ENDED 30 JUNE 2011

72 undergraduates were admitted in the Michaelmas Term 2010, bringing the total across all years to 264; the new intake can be broken down as to 51/49% arts and sciences, 61/39% male and female and 59/41% from the state maintained and independent sectors; applicants are assessed on the basis of their potential as well as their achievements to date. The number of graduate students totalled 140.

The College aims to provide supervision and direction of studies by its own Fellows in most of the principal subjects offered by the University; two Official Fellows in History and one in Law were appointed during the year; Bye-Fellows provide additional teaching support in certain subjects and an appointment was made in Economics.

207 undergraduates sat classed University examinations in 2011 and all passed except 2, with 79% obtaining grades in the First Class or the upper division of the Second Class (or in the undivided Second Class); while the performance overall was not as strong as in the previous year, the contribution of those undergraduates in their final year was particularly creditable; 10 undergraduates were awarded University prizes; 28 graduate students successfully completed an MPhil or other one-year graduate course, five completed clinical studies and 24 satisfied the requirement for the degree of PhD.

56 undergraduates – some 26% of those potentially eligible – received means-tested awards totalling £140k under the centralised Cambridge Bursary Scheme, an increase of 13.5% on the previous year, with 32 of the awards at the maximum value of £3,400; the scheme, which is funded jointly by the College and the Newton Trust, is intended to ensure that no UK student should be deterred from applying to Cambridge because of financial considerations; the Tutors deployed a further £31k to make loans and grants to support undergraduates facing particular financial hardship; scholarships and prizes worth some £39k were awarded by the Governing Body to recognise and reward excellence and achievement, while grants for recreational travel and vacation study came to £20k.

The Ward Library added a further 1,854 volumes during the year, on the recommendation of both Fellows and students and the project to update the catalogue of the College's rare book collections continued; a wireless computing system was trialled in the library and coverage is currently being extended, while the Computer Room was relocated and upgraded; the accommodation available for undergraduates was enhanced through the conversion of a former seminar room into M Staircase, consisting of six en-suite bedsits, while six additional self-contained flats for graduate students were built on Parkside. The College made grants totalling £68k to its official student bodies, the Sexcentenary Club (JCR) and Graduate Society to enable them to provide social and sporting support to their members.

Two Research Fellows specialising in Molecular Biology and Classics/Linguistics were appointed through the annual competition, each for an initial three year term, bringing the number of Research Fellows to six: these Fellowships enable outstanding academics at the early stages of their careers to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post; three Research Studentships were awarded to graduate students on the basis of merit to cover their academic fees and maintenance expenses, bringing the annual cost of the scheme to £102k; the Tutors made other grants and awards totalling £53k to graduate students in order to offset research and maintenance expenses; research allowances totalling £32k were provided in support of Fellows' research activities; a Visiting Fellow in Mathematics and a Senior Research Associate in Philosophy were appointed for varying terms.

The Chapel occupied its usual place at the heart of the College's spiritual life, with a variety of religious services taking place daily during Full Term, underpinned by Peterhouse's strong choral tradition. In that connection, the Perne Librarian organised a successful conference on the College's important collection of music manuscripts, coupled with a choral concert.

Additional information about the College's activities can be found in the *Peterhouse Annual Record* and *Peterhouse*, the College newsletter, as well as on its website (www.pet.cam.ac.uk).

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REVIEW OF ACTIVITIES (CONTINUED) ***YEAR ENDED 30 JUNE 2011***

In terms of plans for the future, the College aims to pursue and develop its existing strategy, aiming in particular:

- to reinforce the College's teaching capability in strategic subjects, with a particular focus on senior appointments in the arts and appointments in smaller subjects, as well as medium term succession planning more broadly;
- to attract outstanding applicants for undergraduate courses from a diverse range of educational, social and cultural backgrounds through the deployment of a range of outreach activities;
- to upgrade the College's stock of accommodation, as well as its academic, cultural, sporting and social facilities, in order to reinforce its position in a competitive marketplace and further reduce operating costs;
- to deploy the range of general and specialist hardship funds built up in recent years to support both undergraduates and graduate students experiencing financial difficulties in a worsening economic environment;
- to extend support for the College's research activities against a background of funding cuts, with additional appointments to Research Fellowships where possible and a renewed focus on Research Studentships for the most talented graduate students.

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FINANCIAL REVIEW YEAR ENDED 30 JUNE 2011

The financial statements for the year to 30 June 2011 have been prepared in the RCCA format. The external auditors' opinion is unqualified. The College's two wholly-owned subsidiaries, Peterhouse Library Charity Limited, which provides the College with library services, and Peterhouse Enterprises Limited (PEL), engaged in property development, have both been consolidated.

In December 2003, after five years of marked deterioration in the College's financial position, the Governing Body endorsed a major programme of retrenchment and cost control, working towards a target of cash breakeven in the medium term. The deficit fell in every subsequent year and in 2010 was finally eliminated, with the prior year's £31k deficit replaced by a £117k surplus. In 2011, the lower operating surplus coupled with a sharp increase in University Contribution led to a modest deficit of £69k; this is after the impact of the most significant change in accounting policy driven by RCCA, namely the inclusion on the face of the balance sheet of the College's operational properties, generating a substantial incremental (non-cash) charge for their depreciation.

Income/Expenditure

The College's deficit from operations increased in 2011 by some £47k or 2.5%, having fallen by £141k or 7.0% in 2010, and remains materially below the level seen in 2003 in spite of significant cost inflation for higher education institutions. Regulated fee income declined by 4.5%, reflecting fluctuations in the mix of students, and continued to fall far short of the cost of tuition: this deficit is funded from the College's own resources. Student charges for accommodation and catering were increased by some 2.25%, but both areas remained in deficit. Revenues generated by the College's catering and conference business, intended to take advantage of out-of-term capacity and contribute to the overall running costs of the College, continued to grow, underpinned by a healthy level of repeat business in spite of the challenging economic environment. Staff costs overall rose by 1.1%, assisted by a relatively low cost-of-living increase and efficiency gains. The level of employer pension contributions remained stable, pending the results of the triennial actuarial valuation as at 31 March 2011.

Endowment income, net of the costs of managing and maintaining our portfolios, marked time in 2011, declining 0.9% (2010: +6.9%), as properties remained fully let, interest rates on bank debt stayed low and agency and management fees were contained. The amount levied on Peterhouse by the University, for redistribution to the poorer colleges was significantly higher at £200k.

Capital Expenditure/Cash Flow

While capital expenditure remained tightly controlled, significant sums were invested in the preliminaries for the projected new building in Gisborne Court, the conversion of M Staircase, upgrading parts of our graduate accommodation and various energy efficiency initiatives. The necessity to maintain the College's operational buildings, most of which are listed and of historic importance, and ensure their compliance with new regulations places an enormous financial burden on the College.

Long-term loans of £28.1m have been taken out to part-fund the College's purchases of investment properties, including the recent acquisition of the underlying freehold of the Garden House Hotel and its four acre site.

The staff pension scheme swung from a sizeable deficit last year to a modest surplus in 2011 (under FRS17), buttressed by an additional £100k capital contribution from the College.

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FINANCIAL REVIEW YEAR ENDED 30 JUNE 2011

Investments

The College's survival is entirely dependent on its endowment capital, which contributes over half its income and has additionally to absorb deficits and provide the funds for necessary building works. The College's investment objective, implemented under the supervision of its Estates & Investments Committee, is to manage its endowment to produce the highest return consistent with the long-term preservation of capital value in real terms.

The combined net value of our properties, equities, alternative investments and cash increased by 8.8% for the year, consolidating the significant recovery seen in the previous year (2010: +30.5%). The College's diversified and income-oriented portfolio has proved reasonably resilient in the face of the worst financial markets in decades. The College's redevelopment of 35 Parkside into 12 flats was brought to a successful conclusion during the year, while PEL received the second and final tranche of proceeds from the sale of its consented land at Bottisham.

The College operates an ethical investment 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 it believes to be in conflict with the charitable purposes of the College or likely to alienate a sizeable proportion of the members or benefactors of the College. In consequence the College currently excludes the shares of tobacco companies from its discretionary portfolios.

Reserves

Peterhouse's unrestricted funds at the year-end amounted to £222.5m and are represented in the balance sheet by the College's operational buildings – which are used for academic and residential purposes – and by part of the investment portfolio. The Governing Body believes that reserves on this scale are necessary for the College to meet its charitable objectives and that they provide the stability for the institution to operate in perpetuity. The Governing Body is mindful to maintain an equitable balance between the interests of current members of the College and future generations.

Risk Management

In the course of their supervision of the College's activities, the College Officers and Committees, within their respective terms of reference and reporting to the Governing Body, routinely identify, evaluate and manage the major risks to which the College and its subsidiaries are or may be exposed.

Fundraising

The existence and success of Peterhouse is a reflection of the outstanding generosity over time of Petreans and other benefactors. The College's development campaign, launched in 2004 to address the overall shortfall in capital, has continued to make a meaningful contribution, with cash donations of £519k received during the year (2010: £1,012k, including the benefit of two sizeable legacies). The combined costs of fundraising and member relations totalled £118k. The College appointed Dr Saskia Murk Jansen as its new Development Director with effect from 1 January 2011.

Outlook

While Peterhouse is fortunate in being a relatively well-endowed College, it continues to face significant financial challenges many of which are common to the University and other Cambridge colleges. Government funding for teaching and research is being cut back, with fees for students set to rise steeply in parallel, while the deterioration in financial markets is likely to act as a brake on income growth for years to come. Costs on the other hand are subject to perennial and significant inflationary pressures and the scope for savings through operational restructuring is largely behind us. Peterhouse seeks to respond to these challenges by focussing on efficient financial management and endeavouring to steward its existing resources to best effect. However if it is to be able to sustain and develop the activities that are critical to its mission, as well as progressing the redevelopment opportunities on its main site, it is clear that the College will need to raise additional funds over the coming years.

STATEMENT OF RESPONSIBILITIES OF THE GOVERNING BODY YEAR ENDED 30 JUNE 2011

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

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

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Governing Body has taken reasonable steps to ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud. Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Governing Body has had due regard to the guidance published by the Charity Commission on public benefit.

PETERHOUSE

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF PETERHOUSE, CAMBRIDGE YEAR ENDED 30 JUNE 2011

We have audited the financial statements which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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

Respective Responsibilities of the Governing Body and Auditors

The Governing Body's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Responsibilities of the Governing Body.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the College's Statutes and the Statutes of the University of Cambridge. We also report to you if, in our opinion, the Financial Review is not consistent with the financial statements, if the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Officers' remuneration and transactions with the College is not disclosed.

We are not required to form an opinion on the effectiveness of the College's risk management and control procedures.

We read other information contained in the Financial Review and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

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

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

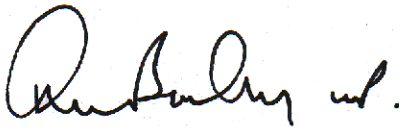
PETERHOUSE

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF PETERHOUSE, CAMBRIDGE (CONTINUED) *YEAR ENDED 30 JUNE 2011*

Opinion

In our opinion the financial statements give a true and fair view of the state of the College's affairs as at 30 June 2011 and of the surplus of the College for the year then ended and have been properly prepared in accordance with the College's Statutes and 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.



Price Bailey LLP

**Chartered Accountants
Statutory Auditors**

**The Quorum
Barnwell Road
Cambridge
CB5 8RE**

Dated: 25th November 2011

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES YEAR ENDED 30 JUNE 2011

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 Accounting Standards.

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

Basis of accounting

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

Recognition of income

a. Unrestricted funds

All income including that from the investment of unrestricted funds and from student fees and charges is credited to the Income and Expenditure Account on a receivable basis.

Unrestricted funds received through the Peterhouse Development Fund are normally transferred to income in the year of receipt. Exceptionally the Governing Body can designate such funds as received as capital.

College fee income is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

b. Restricted funds

Income from the investment of restricted funds is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year. As far as possible, appropriate expenditure is identified and charged against restricted income.

Income from permanent capital funds and short-term deposits is credited to the Income and Expenditure Account in the year in which it becomes receivable.

Benefactions and donations accepted on condition that only the income may be spent are credited to the balance sheet as permanent capital funds. The income from a permanent capital fund is shown as income in the year that it is receivable. Income from a permanent capital fund that is not expended in the year in which it is receivable is, at the year-end, transferred from the income and expenditure account to a restricted or unrestricted expendable capital fund, as appropriate. 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 expendable capital fund to match the expenditure.

Restricted benefactions and donations that are used to fund capital projects are initially credited to a restricted expendable capital fund, and then released over the same estimated useful life that is used to determine the depreciation charge for the capital project.

PETERHOUSE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) YEAR ENDED 30 JUNE 2011

Pension schemes

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, trustee-administered fund. 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 income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The College also participates in Cambridge Colleges' Federated Pension Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension, formerly the State Earnings-Related Pension Scheme.

Tangible fixed assets

a. Land and buildings

Land and buildings, apart from major renovations since 1 August 1993, are stated at depreciated replacement cost. Major renovations to College buildings since 1 August 1993 have been included in the Balance Sheet at cost less depreciation. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not capitalised.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above.

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.

b. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £3,000 per individual item or group of related items are written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum on the straight line basis
Computer equipment	25% per annum on the straight line basis
Motor vehicles	20% per annum on the straight line basis

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

No value is included in the Balance Sheet in respect of rare books, silver, works of art and other assets not related to education, since they are deemed to be inalienable.

Investments

Listed investments are included in the balance sheet at market value. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Unrealised gains and losses on investments are taken to the Statement of Total Recognised Gains and Losses, as are realised gains and losses on the sale of investments.

The realised gains and losses on the sale of investments are the result of comparing proceeds with the previous Balance Sheet carrying value or subsequent cost of addition.

PETERHOUSE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) YEAR ENDED 30 JUNE 2011

Investment properties

Investment land and buildings are stated at market value. On revaluation any unrealised gains and losses are taken to the Statement of Total Recognised Gains and Losses.

No depreciation is charged in the intervening years, although a review for impairment is carried out each year, if events or changes in circumstances indicate that the carrying value may be excessive.

Realised gains and losses on the sale of investment properties are taken to the Statement of Total Recognised Gains and Losses.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

Provisions

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

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. Exchange gains and losses are taken to the revenue account when identified.

Taxation

The College was an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 until registered on 12 August 2010. It is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

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. The contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants.

Subsidiary companies

The College has two wholly owned subsidiaries. The College has consolidated Peterhouse Library Charity Limited and Peterhouse Enterprises Limited.

Investments in subsidiaries are carried in the College Balance Sheet at cost with a review for impairment undertaken every year.

PETERHOUSE

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 30 JUNE 2011

		2011 £000	2010 £000
INCOME	Note		
Academic fees and charges	1	1,301	1,354
Residences, catering and conferences	2	2,585	2,405
Endowment income	3	5,412	5,424
Donations and benefactions		195	189
Other income		37	23
Total income		9,530	9,395
EXPENDITURE			
Education	4	2,622	2,544
Residences, catering and conferences	5	2,712	2,631
Fellowship		311	300
Other expenditure		1,908	1,866
Depreciation of operational buildings		1,846	1,808
Total expenditure		9,399	9,149
Operating surplus		131	246
Contribution under Statute G,II		(200)	(129)
(DEFICIT)/SURPLUS FOR THE YEAR		(69)	117

All of the above results derive from continuing operations.

The accompanying notes are an integral part of this Income and Expenditure account.

PETERHOUSE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 30 JUNE 2011

	Note	Restricted funds £000	Unrestricted funds £000	Total 2011 £000	Total 2010 £000
At 1 July 2010		10,272	210,723	220,995	193,191
Retained (deficit)/surplus for the year		-	(69)	(69)	117
Unrealised gains on investments		-	4,725	4,725	2,584
Unrealised gains on investment properties		-	4,659	4,659	24,330
Unrealised gains attributed to restricted funds		317	(317)	-	-
Unrealised gains/(losses) on operational buildings		-	1,933	1,933	(414)
Realised gains on sale of investment properties		-	397	397	358
Realised gains on sale of investments		-	181	181	918
Miscellaneous capital receipts		-	27	27	8
Miscellaneous capital payments		-	(100)	(100)	(100)
Restricted permanent capital receipts		829	(600)	229	642
Restricted expendable capital receipts		91	-	91	179
Unspent restricted fund income		22	-	22	(17)
Actuarial gains/(losses)	14	-	938	938	(801)
Total recognised gains for the year		1,259	11,774	13,033	27,804
At 30 June 2011		11,531	222,497	234,028	220,995

PETERHOUSE

BALANCE SHEETS YEAR ENDED 30 JUNE 2011

	Note	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000		
FIXED ASSETS							
Tangible assets	7	92,148	91,061	91,451	90,342		
Investments	7	164,398	170,963	154,799	159,959		
		<u>256,546</u>	<u>262,024</u>	<u>246,250</u>	<u>250,301</u>		
CURRENT ASSETS							
Stocks	8	466	415	411	411		
Debtors	9	1,342	2,913	2,075	3,711		
Cash		5,080	4,165	3,070	1,574		
		<u>6,888</u>	<u>7,493</u>	<u>5,556</u>	<u>5,696</u>		
Creditors: amounts falling due within one year	10	(1,373)	(1,338)	(1,322)	(1,298)		
Net current assets		<u>5,515</u>	<u>6,155</u>	<u>4,234</u>	<u>4,398</u>		
Total assets less current liabilities		<u>262,061</u>	<u>268,179</u>	<u>250,484</u>	<u>254,699</u>		
Creditors: amounts falling due after more than one year	11	(28,100)	(34,210)	(28,500)	(32,459)		
Net assets excluding pension liabilities/asset		<u>233,961</u>	<u>233,969</u>	<u>221,984</u>	<u>222,240</u>		
Pension asset/(liability)	14	67	67	(989)	(989)		
NET ASSETS including pension liabilities/asset		<u>234,028</u>	<u>234,036</u>	<u>220,995</u>	<u>221,251</u>		
Capital and reserves							
		Income/ Expendable capital funds 2011 £000	Permanent capital funds 2011 £000	Group Total 2011 £000	College Total 2011 £000	Group Total 2010 £000	College Total 2010 £000
Restricted funds held for collegiate purposes	12	2,053	9,478	11,531	11,531	10,272	10,272
Unrestricted funds	12	222,168	-	222,168	222,505	210,498	210,979
Expendable unrestricted fund	12	329	-	329	-	225	-
TOTAL		<u>224,550</u>	<u>9,478</u>	<u>234,028</u>	<u>234,036</u>	<u>220,995</u>	<u>221,251</u>

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 12 to 34 were approved by the Governing Body on 21 November 2011 and signed on their behalf by:

Richard Gyp

John Keen

PETERHOUSE

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 30 JUNE 2011

	Note	2011 £000	2010 £000
A. OPERATING ACTIVITIES			
Operating surplus before University contribution		131	246
Depreciation	7	2,206	2,157
Pensions contributions paid / FRS17 adjustment		(118)	(63)
(Increase)/decrease in stocks		(55)	3
Decrease/(increase) in debtors		733	(672)
Decrease in creditors		(225)	(187)
Net cash inflow from operating activities		2,672	1,484
B. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Unspent restricted fund income		22	(17)
Net cash outflow from returns on investment and servicing of finance		22	(17)
C. CONTRIBUTION TO COLLEGES FUND			
		(129)	(157)
D. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Receipts from sale of investment assets		13,261	13,246
Donations and benefactions		320	751
Other capital receipts		27	8
Total capital receipts		13,608	14,005
Payments to acquire tangible fixed assets		(970)	(419)
Payments to acquire investment assets		(12,898)	(13,558)
Other capital payments		(100)	-
Total capital expenditure		(13,968)	13,977
Net cash outflow from capital transactions		(360)	28
Net cash inflow before financing		2,205	1,338

PETERHOUSE

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) YEAR ENDED 30 JUNE 2011

	2011 £000	2010 £000
E. FINANCING		
Decrease in bank loan	(400)	(400)
Net cash outflow from financing	(400)	(400)
F. INCREASE IN CASH	1,805	938
Reconciliation of net cash flow to movement in net liquid assets		
Increase in cash in the period	1,805	938
Net funds brought forward at 1 July 2010	2,937	1,999
Net funds carried forward at 30 June 2011	<u>4,742</u>	<u>2,937</u>

PETERHOUSE

NOTES TO THE ACCOUNTS YEAR ENDED 30 JUNE 2011

1 ACADEMIC FEES AND CHARGES		2011 £000	2010 £000
College fees			
Fee income paid on behalf of Undergraduates at the publicly-funded Undergraduate rate (per capita fee £3,861)		811	828
Privately-funded Undergraduate fee income (per capita fee £4,400)		167	193
Fee income received at the Graduate fee rate (per capita fee £2,229)		288	298
Other income		35	35
Total		<u>1,301</u>	<u>1,354</u>
2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES		2011 £000	2010 £000
Accommodation	College members	1,181	1,152
	Conferences	365	303
Catering	College members	628	577
	Conferences	354	315
	Fellows' wine cellar	57	58
Total		<u>2,585</u>	<u>2,405</u>

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

3 ENDOWMENT INCOME

	Income from restricted funds for collegiate purposes	Income from unrestricted funds	Total	Total
	2011	2011	2011	2010
	£000	£000	£000	£000
Income from:				
Freehold land and buildings	-	4,212	4,212	4,292
Charities Property Common Investment Fund	-	367	367	337
Quoted securities – equities	-	805	805	788
Cash	-	28	28	7
Income generated on restricted funds	275	(275)	-	-
Total	275	5,134	5,412	5,424

Investment Management Costs:

	2011	2010
	£000	£000
Freehold land and buildings	148	135
Quoted securities – equities	54	54
Cash	7	9
Total	209	198

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

4 EDUCATION EXPENDITURE

	2011	2010
	£000	£000
Teaching	1,248	1,190
Tutorial	362	355
Admissions	185	211
Research	318	294
Scholarships and awards	152	143
Other educational facilities	355	349
Other expenditure	2	2
Total	2,622	2,544

5 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

		2011	2010
		£000	£000
Accommodation	College members	932	926
	Conferences	525	521
Catering	College members	870	825
	Conferences	385	359
Total		2,712	2,631

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

6 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £000	Other Operating expenses £000	Depreciation £000	Total £000
Education	1,668	841	113	2,622
Residences, catering and conferences	1,279	1,206	227	2,712
	<u>2,947</u>	<u>2,047</u>	<u>340</u>	<u>5,334</u>

7 FIXED ASSETS

7a Tangible fixed assets	Group				College			
	Operational buildings	New works	Other	Total	Operational buildings	New Works	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost/valuation								
At 1 July 2010	90,380	15,736	203	106,319	90,380	14,485	181	105,046
Additions	-	965	5	970	-	965	5	970
Revaluation	1,933	-	-	1,933	1,933	-	-	1,933
At 30 June 2011	<u>92,313</u>	<u>16,701</u>	<u>208</u>	<u>109,222</u>	<u>92,313</u>	<u>15,450</u>	<u>186</u>	<u>107,949</u>
Depreciation								
At 1 July 2010	11,862	2,847	159	14,868	11,862	2,735	107	14,704
Charge for the year	1,846	327	33	2,206	1,846	308	30	2,184
At 30 June 2011	<u>13,708</u>	<u>3,174</u>	<u>192</u>	<u>17,074</u>	<u>13,708</u>	<u>3,043</u>	<u>137</u>	<u>16,888</u>
Net book value								
At 30 June 2011	<u>78,605</u>	<u>13,527</u>	<u>16</u>	<u>92,148</u>	<u>78,605</u>	<u>12,407</u>	<u>49</u>	<u>91,061</u>
At 30 June 2010	<u>78,518</u>	<u>12,889</u>	<u>44</u>	<u>91,451</u>	<u>78,518</u>	<u>11,750</u>	<u>74</u>	<u>90,342</u>

The operational buildings were valued by Bidwells and Gerald Eve at their insurance value as at 30 June 2009. A full valuation is undertaken every five years; the valuation is updated in interim periods.

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

7b Investment assets

	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000
Balance at 1 July 2010	154,799	159,959	126,327	129,987
Additions	12,898	12,898	13,519	13,519
Disposals	(12,689)	(11,189)	(11,087)	(9,587)
Unrealised appreciation	9,385	9,290	26,304	26,304
Increase/(decrease) in cash balances held at fund managers	5	5	(264)	(264)
Balance at 30 June 2011	<u>164,398</u>	<u>170,963</u>	<u>154,799</u>	<u>159,959</u>
Represented by:				
Freehold land and buildings	123,199	123,124	121,014	119,534
Quoted securities – equities	30,150	30,150	23,183	23,183
Charities Property Common Investment Fund	5,339	5,339	5,244	5,244
Other Investment Funds	5,629	5,629	5,282	5,282
Cash held for reinvestment	81	81	76	76
Subsidiary companies	-	6,640	-	6,640
	<u>164,398</u>	<u>170,963</u>	<u>154,799</u>	<u>159,959</u>

The investment properties were valued by Knight Frank LLP and by Bidwells LLP as at 30 June 2011.

The investment in subsidiaries represents 100% of the issued share capital of Peterhouse Enterprises Limited ("PEL") and Peterhouse Library Charity Limited ("PLCL").

PEL develops property and holds property for rental. Any taxable revenue surplus is paid, under the Gift Aid scheme, to the College. At 30 June 2011 the company had share capital and reserves totalling £7,128,689 and the profit after tax for the year then ended was £44,675.

PLCL provides library services to the College. At 30 June 2011 the company had a surplus on members reserves totalling £311,340 and the net incoming resources for the year then ended were £103,818.

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

8	STOCKS AND WORK IN PROGRESS	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000
	Stock	466	415	411	411
		<u>466</u>	<u>415</u>	<u>411</u>	<u>411</u>
9	DEBTORS	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000
	Trade debtors	313	313	285	285
	Amounts owed by group undertakings	-	1,650	-	1,750
	Other debtors	1,029	950	1,790	1,676
		<u>1,342</u>	<u>2,913</u>	<u>2,075</u>	<u>3,711</u>
10	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000
	Bank loans and overdrafts	339	339	133	133
	Students' prepayments (Caution money)	18	18	18	18
	Other creditors	1,016	982	1,171	1,147
		<u>1,373</u>	<u>1,338</u>	<u>1,322</u>	<u>1,298</u>
11	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group 2011 £000	College 2011 £000	Group 2010 £000	College 2010 £000
	Amounts owed to group undertakings	-	6,110	-	3,959
	Bank loans	28,100	28,100	28,500	28,500
		<u>28,100</u>	<u>34,210</u>	<u>28,500</u>	<u>32,459</u>

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

12 CAPITAL AND RESERVES

	Income/ expendable capital funds 2011 £000	Permanent capital funds 2011 £000	Group Total 2011 £000	College Total 2011 £000	Group Total 2010 £000	College Total 2010 £000
Restricted funds:						
Music	45	-	45	45	42	42
Works of art	1	-	1	1	-	-
Research, studentship, scholarship funds	-	7,453	7,453	7,453	6,573	6,573
Student hardship	-	1,333	1,333	1,333	1,078	1,078
Boat club fund	131	-	131	131	128	128
Cricket club	1	-	1	1	-	-
Prizes	-	304	304	304	292	292
Perne library	23	-	23	23	20	20
Travel grants	-	233	233	233	221	221
Library fund	-	46	46	46	45	45
Garden fund	-	98	98	98	94	94
Chapel	13	-	13	13	2	2
Kelvin fund	-	11	11	11	10	10
Combination Room	19	-	19	19	-	-
Buildings fund	1,820	-	1,820	1,820	1,767	1,767
	2,053	9,478	11,531	11,531	10,272	10,272
Unrestricted funds:						
General funds	222,168	-	222,168	222,505	210,498	210,979
Undesignated funds	329	-	329	-	225	-
Total funds	224,550	9,478	234,028	234,036	220,995	221,251

Reconciliation of movements in capital and reserves:

	Restricted funds Funds for collegiate purposes		Unrestricted funds	
	Income/expendable capital funds 2011 £000	Permanent capital funds 2011 £000	Income/expendable capital funds 2011 £000	Total 2011 £000
At 1 July 2010	1,959	8,313	210,723	220,995
Increases during year	94	1,165	11,774	13,033
Decreases during year	-	-	-	-
At 30 June 2011	2,053	9,478	222,497	234,028

PETERHOUSE

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

13 STAFF

	College fellows 2011 £000	Other academic 2011 £000	Non- academic 2011 £000	Total 2011 £000	Total 2010 £000
Staff costs:					
Emoluments	703	159	1,694	2,556	2,568
Social security costs	55	-	119	174	166
Other pension costs (see note 14)	95	-	380	475	483
	<u>853</u>	<u>159</u>	<u>2,193</u>	<u>3,205</u>	<u>3,217</u>
Average staff numbers					
Academic (full-time)	13	-	-	13	12
Academic (part-time)	13	-	-	13	12
Non-academic (full-time)	1	-	52	53	53
Non-academic (part-time)	2	-	62	64	60
	<u>29</u>	<u>-</u>	<u>114</u>	<u>143</u>	<u>137</u>

"Other academic" relates to External Supervision.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000.

14 PENSION SCHEMES (GROUP AND COLLEGE)

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 whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; 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.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risk associated with other institutions' employees and 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 income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first 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 estimates of the funding level at 31 March 2011 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (continued)

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the College contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% p.a. to 2.9% p.a. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the College'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 actuarial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (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 strong 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 minimising 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.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the College had 44 active members participating in the scheme.

The total pension cost for the College was £123,368 (2010: £111,347). No contributions were outstanding at the balance sheet date.

The contribution rate payable by the College was 16% of pensionable salaries.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

CCFPS

The College is also a member of a multi-employer defined benefits scheme, the Cambridge Colleges' Federated Pension Scheme. The Scheme is a defined benefit final salary pension scheme that was originally set up, under the Interim Trust Deed, on 19 July 1977 as a defined benefit scheme. The Scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004. The College's employees covered by the Scheme are contracted-out of the State Second Pension (S2P).

A full valuation was undertaken at 31 March 2008 and updated at 30 June 2011 by a qualified independent Actuary.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	30 June 2011 % p.a.	31 March 2010 % p.a.
Discount rate	5.5	5.6
Expected long-term rate of return on Scheme assets	6.2	6.7
Increase in salaries	3.2*	4.7
Retail Prices Index (RPI) assumption	3.4	3.7
Consumer Prices Index (CPI) assumption	2.7	n/a
Pension increases (RPI linked)	3.4	3.7
Pension increases (capped RPI linked)	3.2	3.5

* 2.0% in 2011, 3.2% thereafter.

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 2009 projection and a target long term improvement rate of 0.75% p.a. Both the base table and the allowance for improvements have been updated from 2010 when the PA92 tables were used with the Medium Cohort projections. This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.7 years (previously 20.7 years)
- Female age 65 now has a life expectancy of 23.6 years (previously 23.5 years)
- Male age 45 now and retiring in 20 years would have a life expectancy then of 22.7 years (previously 21.8 years)
- Female age 45 now and retiring in 20 years would have a life expectancy then of 24.8 years (previously 24.5 years)

Employee Benefit Obligations

The amounts recognised in the balance sheet as at 30 June 2011 (with comparative figures as at 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Present value of Scheme liabilities	(6,708)	(6,686)
Market value of Scheme assets	6,775	5,697
Surplus/(deficit) in the Scheme	67	(989)

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

The amounts to be recognised in the income and expenditure account for the year ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Current service cost	389	207
Interest on Scheme liabilities	480	312
Expected return on Scheme assets	(488)	(285)
Total	<u>381</u>	<u>234</u>
Actual return on Scheme assets	<u>691</u>	<u>916</u>

Changes in the present value of the Scheme liabilities for the year ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Present value of Scheme liabilities at beginning of period	6,686	4,831
Service cost including Employee contributions	487	287
Interest cost	480	312
Actuarial losses/ (gains)	(735)	1,432
Benefits paid	(210)	(176)
Present value of Scheme liabilities at end of period	<u>6,708</u>	<u>6,686</u>

Changes in the fair value of the Scheme assets for the year ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Market value of Scheme assets at beginning of period	5,697	4,580
Expected return	488	285
Actuarial gains/ (losses)	203	632
Contributions paid by the College	499	296
Employee contributions	98	80
Benefits paid	(210)	(176)
Market value of Scheme assets at end of period	<u>6,775</u>	<u>5,697</u>

NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

The agreed contributions to be paid by the College for the forthcoming year are 18.23% of Contribution Pay, 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 ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011	31 March 2010
Equities & Hedge Funds	56%	61%
Property	8%	9%
Bonds & Cash	36%	30%
Total	<u>100%</u>	<u>100%</u>

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 7.1% (2010: 7.5%), an expected rate of return on property of 6.1% (2010: 6.5%) and an expected rate of return on bonds and cash of 4.8% (2010: 5.0%).

Analysis of amounts recognisable in the statement of total recognised gains and losses (STRGL) for the 15 months ended 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Actual return less expected return on Scheme assets	203	632
Experience gains and losses arising on Scheme liabilities	(8)	207
Changes in assumptions underlying the present value of Scheme liabilities	743	(1,640)
Actuarial gain/(loss) recognised in STRGL	<u>938</u>	<u>(801)</u>

The cumulative amount of actuarial gains and losses recognised in STRGL for the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) is as follows:

	30 June 2011 £000	31 March 2010 £000
Cumulative actuarial loss at beginning of period	(1,023)	(222)
Recognised during the period	938	(801)
Cumulative actuarial gain/ (loss) at end of period	<u>85</u>	<u>(1,023)</u>

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NOTES TO THE ACCOUNTS (CONTINUED) YEAR ENDED 30 JUNE 2011

14 PENSION SCHEMES (GROUP AND COLLEGE) (CONTINUED)

The movement in the deficit during the 15 months ending 30 June 2011 (with comparative figures for the year ending 31 March 2010) are as follows:

	30 June 2011 £000	31 March 2010 £000
Deficit in Scheme at beginning of year	(989)	(251)
Service Cost (Employer Only)	(389)	(207)
Contributions paid by the College	499	296
Finance Cost	8	(26)
Actuarial gain/ (loss)	938	(801)
Surplus/(deficit) in Scheme at the end of the year	67	(989)

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

	30 June 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000
Present value of Scheme liabilities	(6,708)	(6,686)	(4,831)	(4,990)	(4,947)
Market value of Scheme assets	6,775	5,697	4,580	4,994	4,936
Surplus/ (deficit) in the Scheme	67	(989)	(251)	4	(11)
Actual return less expected return on Scheme assets	203	632	(991)	(375)	(3)
Experience gain/ (loss) arising on Scheme liabilities	(8)	207	(6)	74	46
Change in assumptions underlying present value of Scheme liabilities	743	(1,640)	696	320	264

15 CAPITAL COMMITMENTS

At 30 June 2011 the College has committed to an investment in an equity fund totalling £449,338 (2010: £700,131).

16 RELATED PARTY TRANSACTIONS

No disclosure of transactions with Peterhouse Library Charity Limited or Peterhouse Enterprises Limited has been made as those financial statements at 30 June 2011 have been consolidated within these accounts.