ANNUAL REPORT AND

FINANCIAL STATEMENTS

2010

FITZWILLIAM COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

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ORGANISATION AND GOVERNANCE

Fitzwilliam College is an independent College of the University of Cambridge and was formed under Royal Charter granted on 9 September 1966 by Queen Elizabeth The Second. Although the College has history going back to 1869 it was only in 1966 that the then existing Fitzwilliam House was constituted as a Corporate Body under the name and style of "The Master, Fellows and Scholars of Fitzwilliam College in the University of Cambridge". The College had exempt charitable status throughout the financial year. Subsequently, in compliance with the requirements of the Charities Act 2006, the College has become a Registered Charity (Registered No: 1137496).

The Objectives of the College are as follows:

(a) To advance education, religion, learning and research in the University.

(b) To provide a College wherein members of the University may work for Degrees in the University or may carry out postgraduate or other special studies at Cambridge provided that no member of the College or any candidate for membership thereof shall be subject to any test of a religious, political or social character.

(c) To apply the moneys of the College as prescribed in the Statutes of the College.

(d) To administer any trust or scheme for purposes connected with the objects of the College.

(e) To do all such things as are incidental or conducive to the carrying out of the above objects.

The Fellows of the College comprise the Governing Body, which is responsible for the government of the College in accordance with its Statutes. The Fellows are the Trustees of the Registered Charity.

At least one Ordinary College meeting is held in each University term and a Special College meeting takes place every year. The Governing Body has delegated some duties to the College Committee which is chaired by the Master and includes the Bursar and the Senior Tutor so that it can control key issues and monitor the overall performance of the College. The Governing Body decides on organisational strategy and authority is delegated to the Bursar for implementing strategy and for managing the College.

At the Special College meeting (called the Audit Meeting) the Governing body reviews the Annual Report and Financial Statements following detailed review by internal and external auditors and satisfies itself that the reports present a balanced and understandable assessment of the College's position and prospects.

The work of the Governing Body and the College Committee is supported and informed by a number of Committees, the most important of which are the Education Committee, the Tutorial Committee, the Finance Advisory Committee, the Investment Advisory Committee and the Development Committee.

GOVERNING BODY AND PROFESSIONAL ADVISORS

Governing Body

Members of the Governing Body receive no remuneration for acting in that capacity.
However remuneration is paid to those members holding specific positions as College officers.

Members of the Governing Body during the year were as follows:

Master: Professor R D Lethbridge*
Bursar: Mr R A Powell* (appointed 01/10/09)
Mr C L Pratt* (retired 30/09/09)
Senior Tutor: Dr P A Chirico*

Other Members:

Professor N K H Slater*
Dr J R A Cleaver
Professor D M Thompson (retired 30/09/09)
Dr G G Pooley
Professor G I Davies*
Dr W Allison
Dr A Clark
Dr M D Potter
Dr D M Scott
Professor R J A Hooley
Mrs N M Padfield
Dr D J Cole
Professor D A Cardwell
Dr R E Horrox*
Dr J D Leigh
Professor K M Brindle
Dr K W Platts
Dr D Keown
Dr M J S Holly
Dr B Vira
Professor R S Langley
Dr R E Ansorge
Dr I Moller
Professor R P Haining
Professor E Mastorakos
Dr E Perreau-Saussine (deceased 23/02/10)
Dr D A Coomes
Professor M J Millett*
Dr R D Camina*
Dr A G Kovalev
Dr D R E Abayasekara*
Dr J A Elliott
Dr A E H Wheatley
Dr K Saeb-Parsy
Dr J I Alcantara
Dr P Lio
Professor D M Glover
Dr M J Arends
Dr S S Owen
Dr A S Tavernor*
Dr P J Rentfrow*
Dr W Seabrooke (resigned 30/09/09)
Dr D P Nally
Mr R J Moules
Dr S J Gathercole
Dr N Bukhari
Dr E M S Newby
Dr N Grigorian
Dr M B Wingate*
Ms M C Young*
Dr N MacSweeney
Dr J Tankebe
Dr A Y Chau
Dr I Reid
Dr J L G Chamarette (appointed 01/10/09)
Dr C L Crouch (appointed 01/10/09)
Mr J M Cullen (appointed 01/10/09)
Dr S K Larsen (appointed 01/10/09)
Mr F Knights (appointed 25/11/2009)

*Also served on the College Committee.

GOVERNING BODY AND PROFESSIONAL ADVISORS
(Continued)

Professional Advisors

Bankers

Barclays Bank plc
Bene't Street Branch
P O Box 2
Cambridge
CB2 3PZ

Solicitors

Hewitsons
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

Auditors

Peters Elworthy & Moore
Chartered Accountants and Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Investment Managers

Sarasin & Partners LLP
Juxon House
100 St. Paul's Churchyard
London
EC4M 8BU

BURSAR'S REPORT
(Continued)

Financial Review

There was a deficit for the year of £0.40 million *(2009: deficit of £0.24 million)*, after depreciation of £0.80 million *(2009: £0.78 million)*. Income from fees, rents and from investments and funds was higher by 4.6%, 12.8% and 0.61% respectively than in the preceding year and conference income increased by 8.8%. Unrestricted funds increased by 6.2% to £37.14 million (2009: £34.96 million) and Restricted funds by 11.1% to £10.93 million (2009: £9.83 million). Within the net assets total of £48.06 million *(2009: £44.79 million)*, cash reserves decreased from £1.37 million to £0.68 million *(2009: decrease of £11.51 million)*.

The principal purpose of the College is to advance education, religion, learning and research in the University of Cambridge. In the year under review, academic fees and charges amounted to £2.22 million *(2009: £2.13 million)* and academic expenditure to £3.04 million *(2009: £2.97 million)*. The deficit of £0.82 million *(2009: £0.84 million)* in respect of academic activity was met from endowment and other income. Student numbers were 4% higher than in the previous year, a slight fall in undergraduate student numbers being more than compensated by a rise in the number of full time graduates. The College has continued to receive funding support from Trinity College for its teaching activities during the year for which it is most grateful.

Income from rents, catering and conference activity was £3.77m *(2009: 3.50m)* and costs were £4.14m *(2009: 4.34m)* with a resulting deficit of £0.37m *(2009: £0.84m).* The apparent improvement in the deficit is largely the result of reallocation of interest and development costs away from these activities and into "other costs" (see note 7). Increased income from rents was welcome, but the continuing large deficit on the College Members' catering account remains a major challenge for many Colleges including Fitzwiliiam. Conference income recovered well from the twin effects of swine flu and economic fears in the previous year; a notable trend is for conference organisers to make bookings at much shorter notice than in the past which makes it increasingly difficult to forecast.

Endowment and investment income has benefitted from a full year of the investment in commercial property made in 2009, but this has been offset by a reduction in interest received due to lower interest rates and the deployment of cash balances.

During the year the Governing Body has undertaken a complete review of costs, with a view to eliminating the present deficit as quickly as possible.

Donations

Donations of £1,364,105 were received during the year *(2009: £1,091,366)*, including £328,600 from the Colleges' Fund *(2009: £304,300)*, for all of which the College is extremely grateful. Grants from the Colleges' Fund are added to permanent capital, as is required by the terms of grant. £741,268 of other donations was for specific purposes *(2009: £702,358)*.

Investments

In view of the relatively small endowment of the College, a highly prudential approach is taken towards investment. The investment objective is to protect the real value of the capital whilst achieving a gross annual income return of 4% and a total return, measured over a rolling 3 year period, in the upper half of the spread of returns for all charities in the WM annual survey. The stock-market investment portfolio is managed on a discretionary basis in accordance with this objective.

The total return on investments was 14.75%, *(2009: -6.95%)*. The stockmarket portfolio produced a strong rebound in the year to July 2010, and this, alongside some more modest gains in the housing market, has provided a welcome recovery in the value of investment assets. However dividend yields have fallen with the result that income return targets have not been met. The Investment Advisory Committee is reviewing the investment objective to ensure that it is fully aligned with the current financial needs of the College.

BURSAR'S REPORT
(Continued)

Capital Expenditure and future plans

The completion of the new Library and IT Centre, opened by HRH the Duke of Edinburgh on 19th April 2010, provides a new high class facility within the College precinct, and marks the effective completion of the physical development on the main College site, after nearly 50 years. The Library and IT centre is owned and operated by Fitzwilliam Information Services Trust Ltd, an independent charitable company.

Attention now focuses on the refurbishment of the older College buildings and the provision of additional student accommodation. In this respect the completion of the new graduate hostel at 1 Halifax Road, with up to date accommodation for 15 graduate students, in time for Michaelmas term 2009, was an important milestone. Since the year end the College has completed the acquisition of a further property at 139 Huntingdon Road which is also intended for Graduate students.

Risk Management

The College has a strong system of financial and management controls. Monthly management accounts, incorporating profiled budget comparisons and forecasts are prepared and are scrutinised by the College Committee and its Finance Advisory Committee, which also review five-year projections. There is an internal Audit Committee, reporting directly to the Governing Body and a comprehensive risk assessment programme across departments.

Environmental Management

The College signed the Cambridge Climate Change Charter in November 2008 and is putting in place an Environmental Action Plan with ambitious targets covering energy efficiency, water consumption, waste management and minimisation, purchasing, transport, chemical pollutants and new developments and construction.

Fitzwilliam College has an active Environmental Committee, composed of students, fellows and staff, working together to implement green initiatives and increase awareness of environmental issues within Fitzwilliam. Fitzwilliam has been a Fairtrade College since June 2009.

R A Powell

Bursar

Date: 26 November 2010

STATEMENT OF RESPONSIBILITIES OF THE GOVERNING BODY

The Governing Body 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 Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing those financial statements the Governing Body 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

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

The Governing Body 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 AUDITORS' REPORT TO THE GOVERNING BODY OF FITZWILLIAM COLLEGE

We have audited the financial statements of the Fitzwilliam College for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated and College balance sheets, the consolidated cash flow statement and related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the College's Governing Body, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body as a 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 (United Kingdom Generally Accepted Accounting Practice) 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 have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the College's Statutes and the Statutes of the University of Cambridge. We also report to you if, in our opinion, the Report of the Governing Body is not consistent with the financial statements, if the College has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

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 judgements made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the information in the financial statements.

Qualified opinion arising on non-compliance with FRS17
Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) requires disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. As explained in note 28 the College has not obtained and disclosed the necessary information for the year ended 31 July 2010 and it is therefore not possible to quantify the effect of this departure.

Except for the effect of not complying with FRS 17, in our opinion: The financial statements give a true and fair view of the state of the group's and the College's affairs as at 31 July 2010 and of the group's income and expenditure for the year then ended; They have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the College's Statutes and the Statutes of the University of Cambridge; and the information given in the Bursar's report is consistent with the financial statements.

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 provision of Statute G, II of the University of Cambridge.

PETERS ELWORTHY & MOORE
Chartered Accountants and
Statutory Auditors

CAMBRIDGE
Date: 7 December 2010

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2010

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 financial statements (notes 16 to 19).

Basis of accounting

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

Basis of consolidation

These financial statements consolidate the financial statements of the College and its two subsidiaries, Fitzwilliam College Services Limited and Kawakawa Bay Limited for the year ended 31 July 2010. The two companies are wholly owned subsidiaries of the College. Inclusion of the results of the subsidiaries does not materially change the view presented in the financial statements. The activities of student societies have not been consolidated.

Recognition of income

Income from permanent capital funds, short term deposits and the investment of unrestricted funds is credited to the income and expenditure account on a receivable basis. 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. Unrestricted donations are allocated to capital or income at the discretion of the Governing Body on a receivable basis.

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

Pension schemes

The college pays contributions to two pension schemes which provide benefits to its members based on final pensionable salary. The assets of these schemes are held separately from those of the 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 trustee-administered fund. 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 risks 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2010

Pension schemes (continued)

Fitzwilliam College Assistant Staff Superannuation Fund

The College also contributes to the Fitzwilliam College Assistant Staff Superannuation Fund, which is a similar defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are matched evenly, so far as possible, to the service lives of the employees concerned.

Tangible fixed assets

a. Land and buildings

Freehold buildings within the College main site are stated at depreciated replacement cost ascertained as at 31 July 2003 plus subsequent additions at historical cost. External properties are stated at historical cost. All freehold buildings are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred during the year. They are not depreciated until they are brought into use.

b. Maintenance of premises

The cost of major refurbishment is capitalised and depreciated over the expected useful economic life of the asset concerned. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred.

c. Furniture, fittings and equipment

Furniture, fittings and equipment are capitalised at cost. Depreciation is provided on a straight line basis over the expected useful life of the assets as follows:

Library books	15 years
Furniture, fittings and general equipment	10 years
Catering and conference equipment	5 years
Computer equipment	4 years

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

Rare books, silver, works of art and other assets not related to education, which are deemed to be inalienable, are not included in the balance sheet.

Leases

Payments under operating leases are charged to the Income and Expenditure Account equally over the lease term.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2010

Investments

Securities

Securities are shown at their market value. This is for listed investments the middle market quotation ruling at the close of business on 31 July, translated for overseas investments into sterling at the rates of exchange ruling at that date.

Investment income is included as and when dividends and interest become payable. Interest on bank deposits is included on an accrual basis. Interest which forms part of the price of investments purchased or sold during the year is treated as revenue.

Properties

Investment properties are included at open market value. A professional valuation is carried out every 5 years and interim valuations are carried out by the Bursar. The bursar's valuation method uses the values as per the latest professional valuation and adds an annual revaluation adjustment reflecting specific market values as published by financial institutions. These properties form part of the College's investments and therefore any surplus or deficit on revaluation is reflected as part of each fund's value as at 31 July. In accordance with SSAP19, no depreciation is charged.

Stocks

Stocks 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 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.

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the ICTA 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 College may from time to time be eligible for such grants.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2010

	Note	2010 £000	2009 £000
INCOME			
Academic fees and charges	1	2,227	2,129
Residences, catering and conferences	2	3,771	3,498
Endowment and investment income	3	1,528	1,450
Other income	4	199	204
Total income		**7,725**	**7,281**
EXPENDITURE			
Education	5	3,038	2,968
Residences, catering and conferences	6	4,136	4,336
Other expenditure	7	923	171
Total expenditure		**8,097**	**7,475**
Operating deficit		**(372)**	**(194)**
University Contribution under Statute G,II		0	0
		(372)	**(194)**
Transfer to restricted funds		(29)	(43)
NET DEFICIT		**(401)**	**(237)**

All of the activities of the College are classed as continuing.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2010

	Note	Restricted funds Collegiate purposes £000	Restricted funds Non-collegiate purposes £000	Unrestricted funds Designated funds £000	Unrestricted funds Undesignated funds £000	2010 Total £000	2009 Total £000
Deficit on continuing operations		0	0	(35)	(366)	(401)	(237)
Appreciation of investment assets	11	799	14	25	2,228	3,066	(3,360)
Unspent restricted fund income retained by funds		25	4	0	0	29	43
Benefactions and donations		444	0	297	0	741	702
Transfer donations to income and expenditure account		(184)	0	0	0	(184)	(173)
Transfer donations towards Library		0	0	(305)	0	(305)	(1,715)
Capital grant received from Colleges Fund		0	0	0	329	329	304
Transfers between funds		(7)	0	7	0	0	0
Total recognised gains for the year		1,077	18	(11)	2,191	3,275	(4,436)

Reconciliation

	Collegiate purposes	Non-collegiate purposes	Designated funds	Undesignated funds	2010 Total	2009 Total
Balance at 1 August 2009	9,722	109	1,907	33,050	44,788	49,224
Total recognised gains for the year	1,077	18	(11)	2,191	3,275	(4,436)
Balance at 31 July 2010	10,799	127	1,896	35,241	48,063	44,788

BALANCE SHEETS
As at 31 July 2010

	Note	Group 2010 £000	Group 2009 £000	College 2010 £000	College 2009 £000
FIXED ASSETS					
Tangible assets	10	25,006	24,969	25,005	24,968
Investments	11	28,216	27,019	28,216	27,019
		53,222	51,988	53,221	51,987
CURRENT ASSETS					
Stocks		55	48	55	48
Debtors due within one year	12	1,753	1,297	2,220	1,717
Debtors due after more than one year	12	4,878	2,965	4,878	2,965
Cash	13	26	31	5	24
		6,712	4,341	7,158	4,754
CREDITORS : amounts falling due within one year	14	(1,871)	(1,541)	(2,315)	(1,953)
Net current assets		4,841	2,800	4,843	2,801
Total assets less current liabilities		58,063	54,788	58,064	54,788
CREDITORS: amounts falling due after more than one year	15	(10,000)	(10,000)	(10,000)	(10,000)
TOTAL NET ASSETS		**48,063**	**44,788**	**48,064**	**44,788**
CAPITAL AND RESERVES	16				
Restricted funds		10,926	9,831	10,926	9,831
Unrestricted funds		37,137	34,957	37,138	34,957
TOTAL		**48,063**	**44,788**	**48,064**	**44,788**

Approved on behalf of the Governing Body on 26 November 2010.

R A Powell
Bursar

R D Lethbridge
Master

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2010

	Note	2010 £000	2009 £000
Cash flow from operating activities	20	**(95)**	**(332)**
Returns on investment and servicing of finance	21	538	899
Capital transactions	22	(1,131)	(12,049)
Net cash outflow before management of liquid resources		(688)	(11,482)
Management of liquid resources	23	807	11,421
Increase in cash	24	**119**	**(61)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

1. ACADEMIC FEES AND CHARGES

	2010	2009
	£000	£000
COLLEGE FEES		
Fee income at undergraduate publicly funded rate	1,476	1,424
Fee income at privately funded undergraduate rate	347	370
Fee income at graduate fee rate	399	335
Other income	5	0
	2,227	2,129

2. INCOME FROM RESIDENCES, CATERING AND CONFERENCES

	2010	2009
	£000	£000
Accommodation		
College members	1,926	1,762
Conferences	512	470
Catering		
College members	872	842
Conferences	461	424
	3,771	3,498

3. ENDOWMENT AND INVESTMENT INCOME

	Income from restricted funds	Income from unrestricted funds	2010 Total	2009 Total
	£000	£000	£000	£000
Income from:				
Freehold land and buildings	0	279	279	194
Quoted securities – equities	195	338	533	560
Quoted securities – fixed interest	0	0	0	37
Interest on loan and cash balances	0	238	238	350
Donations and benefactions	184	294	478	309
	379	1,149	1,528	1,450

4. OTHER INCOME

	2010 £000	2009 £000
Miscellaneous charges to members and other income	90	90
Hire of network and laser printing income	90	96
Launderette income	19	18
	199	204

5. EDUCATION EXPENDITURE

	2010 £000	2009 £000
Teaching	1,951	1,843
Tutorial	453	525
Admissions	106	105
Research	246	226
Scholarships and awards	119	111
Other educational facilities	163	158
	3,038	2,968

6. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

	2010 £000	2009 £000
Accommodation		
College members	2,037	2,281
Conferences	485	492
Catering		
College members	1,260	1,203
Conferences	354	360
	4,136	4,336

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

7. OTHER EXPENDITURE

	2010	2009
	£000	£000
Restricted funds expenditure	30	19
Loan interest	501	50
Development expenses	287	0
Administration	82	72
Other	23	30
	923	171

Due to changes in allocation the above loan interest charge for 2010 relates to 100% of the total loan interest costs whereas in previous years 10% was charged above,70% was allocated to Education and 20% to Residences, Catering and Conferences. Development expenses are now fully reflected above whereas in previous years 50% was allocated to Education and another 50% to Residences, Catering and Conferences.

8. ANALYSIS OF EXPENDITURE BY ACTIVITY

2009/10	Staff costs (note 25) £000	Other operating expenses £000	Deprecia -tion £000	Total £000
Education (note 5)	1,158	1,733	147	3,038
Residences, catering and conferences (note 6)	2,088	1,400	648	4,136
Other (note 7)	239	682	2	923
	3,485	3,815	797	8,097

The above expenditure includes fundraising costs of £288,046 (2009: £336,319).
This expenditure includes the costs of alumni relations.

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2008/09	Staff costs (note 25) £000	Other operating expenses £000	Deprecia -tion £000	Total £000
Education (note 5)	1,242	1,564	162	2,968
Residences, catering and conferences (note 6)	2,096	1,623	617	4,336
Other (note 7)	61	107	3	171
	3,399	3,294	782	7,475

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

10. TANGIBLE FIXED ASSETS

GROUP

	Freehold land and buildings £000	Assets under construction £000	Furniture, fittings and equipment £000	Library books £000	2010 Total £000
Cost					
As at 1 August 2009	25,490	1,296	2,834	434	30,054
Additions at cost	812	0	184	1	997
Transfers	1,223	(1,223)	0	0	0
Disposals	0	0	0	(435)	(435)
As at 31 July 2010	27,525	73	3,018	0	30,616
Depreciation					
As at 1 August 2009	3,084	0	1,738	263	5,085
Charge for the year	550	0	238	9	797
Eliminated on disposals	0	0	0	(272)	(272)
As at 31 July 2010	3,634	0	1,976	0	5,610
Net book value					
As at 31 July 2010	23,891	73	1,042	0	25,006
As at 31 July 2009	22,406	1,296	1,096	171	24,969

The insured replacement cost of freehold land and buildings as at 31 July 2010 was £85,000,000.

COLLEGE

	Freehold land and buildings £000	Assets under construction £000	Furniture, fittings and equipment £000	Library books £000	2010 Total £000
Cost					
As at 1 August 2009	25,490	1,296	2,815	434	30,035
Additions at cost	812	0	184	1	997
Transfers	1,223	(1,223)	0	0	0
Disposals	0	0	0	(435)	(435)
As at 31 July 2010	27,525	73	2,999	0	30,597
Depreciation					
As at 1 August 2009	3,084	0	1,720	263	5,067
Charge for the year	550	0	238	9	797
Eliminated on disposals	0	0	0	(272)	(272)
As at 31 July 2010	3,634	0	1,958	0	5,592
Net book value					
As at 31 July 2010	23,891	73	1,041	0	25,005
As at 31 July 2009	22,406	1,296	1,095	171	24,968

The insured replacement cost of freehold land and buildings as at 31 July 2010 was £85,000,000.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

11. INVESTMENT ASSETS

GROUP AND COLLEGE	2010 £000	2009 £000
Market value at 1 August 2009	27,019	34,021
Additions	3,266	18,877
Disposals	(4,328)	(11,098)
Appreciation on disposals/revaluation	3,066	(3,360)
Decrease in cash balances	(807)	(11,421)
Market value at 31 July 2010	28,216	27,019
Represented by:		
Freehold land and buildings	8,418	8,160
Quoted securities - equities	18,387	16,202
Quoted securities - fixed interest	595	1,034
Cash held for reinvestment	816	1,623
	28,216	27,019

Investments held by the College also include an additional £2 (2009: £2) in each of the subsidiary undertakings, Fitzwilliam College Services Limited and Kawakawa Bay Limited.

The College's investment properties were last professionally valued by Bidwells as at 31 July 2009 on the basis of open market value and valued by the Bursar as at 31 July 2010. The next professional valuation will take place on 31 July 2014.

12. DEBTORS

	Group		College	
Due within one year	**2010** £000	**2009** £000	**2010** £000	**2009** £000
Members of the College	248	240	248	240
Amounts owed by subsidiary companies	0	0	479	431
Other debtors	1,505	1,057	1,493	1,046
	1,753	1,297	2,220	1,717
Due after more than one year				
Loan repayable by 31 July 2030	4,878	2,965	4,878	2,965

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

13. CASH

	Group 2010 £000	Group 2009 £000	College 2010 £000	College 2009 £000
Current accounts	24	29	3	22
Cash in hand	2	2	2	2
	26	31	5	24

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2010 £000	Group 2009 £000	College 2010 £000	College 2009 £000
Bank overdraft	159	284	159	284
Amounts owed to subsidiary companies	0	0	547	513
Social security and other taxes	5	3	5	3
Members of the College	163	172	163	172
Other creditors	1,544	1,082	1,441	981
	1,871	1,541	2,315	1,953

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

	Group 2010 £000	Group 2009 £000	College 2010 £000	College 2009 £000
Bank loan	10,000	10,000	10,000	10,000

The bank loan is unsecured and to be repaid in full by 30 July 2058 at a fixed rate of 4.93% per annum.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

16. CAPITAL AND RESERVES

GROUP

	Income/ expendable capital funds £000	Permanent capital funds £000	2010 Total £000	2009 Total £000
Restricted funds:				
Funds for collegiate purposes				
Trust funds	1,570	5,633	7,203	6,114
Donations & benefactions	0	0	0	0
Deferred capital funds	3,596	0	3,596	3,608
	5,166	5,633	10,799	9,722
Funds for non-collegiate purposes				
Trust funds	112	15	127	109
Unrestricted funds:				
Designated funds				
Special funds	1,770	126	1,896	1,907
Undesignated funds				
Corporate capital	0	32,238	32,238	29,682
Revenue reserves	3,003	0	3,003	3,368
	3,003	32,238	35,241	33,050
	10,051	38,012	48,063	44,788

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

16. CAPITAL AND RESERVES (continued)

COLLEGE

	Income/ expendable capital funds £000	Permanent capital funds £000	2010 Total £000	2009 Total £000
Restricted funds:				
Funds for collegiate purposes				
Trust funds	1,570	5,633	7,203	6,114
Donations & benefactions	0	0	0	0
Deferred capital funds	3,596	0	3,596	3,608
	5,166	5,633	10,799	9,722
Funds for non-collegiate purposes				
Trust funds	112	15	127	109
Unrestricted funds:				
Designated funds				
Special funds	1,770	126	1,896	1,907
Undesignated funds				
Corporate capital	0	32,238	32,238	29,682
Revenue reserves	3,004	0	3,004	3,368
	3,004	32,238	35,242	33,050
	10,052	38,012	48,064	44,788

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

17. MOVEMENT IN CAPITAL AND RESERVES

GROUP

	Balance at 1 August 2009 £000	Movement in year Increase £000	Decrease £000	Balance at 31 July 2010 £000
Restricted funds:				
Funds for collegiate purposes				
Income/expendable capital	5,008	158	0	5,166
Permanent capital	4,714	919	0	5,633
	9,722	1,077	0	10,799
Funds for non-collegiate purposes				
Income/expendable capital	96	16	0	112
Permanent capital	13	2	0	15
	109	18	0	127
Unrestricted funds:				
Designated funds				
Income/expendable capital	1,793	0	23	1,770
Permanent capital	114	12	0	126
	1,907	12	23	1,896
Undesignated funds				
Income/expendable capital	3,368	0	365	3,003
Permanent capital	29,682	2,556	0	32,238
	33,050	2,556	365	35,241
	44,788	3,663	388	48,063

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

17. MOVEMENT IN CAPITAL AND RESERVES (continued)

COLLEGE

	Balance at 1 August 2009 £000	Movement in year Increase £000	Movement in year Decrease £000	Balance at 31 July 2010 £000
Restricted funds:				
Funds for collegiate purposes				
Income/expendable capital	5,008	158	0	5,166
Permanent capital	4,714	919	0	5,633
	9,722	1,077	0	10,799
Funds for non-collegiate purposes				
Income/expendable capital	96	16	0	112
Permanent capital	13	2	0	15
	109	18	0	127
Unrestricted funds:				
Designated funds				
Income/expendable capital	1,793	0	23	1,770
Permanent capital	114	12	0	126
	1,907	12	23	1,896
Undesignated funds				
Income/expendable capital	3,368	0	364	3,004
Permanent capital	29,682	2,556	0	32,238
	33,050	2,556	364	35,242
	44,788	3,663	387	48,064

18. ANALYSIS OF RESTRICTED AND UNRESTRICTED DESIGNATED FUNDS

	Restricted funds £000	Designated funds £000	2010 Total £000	2009 Total £000
Fellowship and Research	2,304	0	2,304	1,959
Scholarships and Prizes	1,401	106	1,507	1,310
Chapel	580	0	580	517
Travel	336	0	336	235
Hardship	1,524	0	1,524	1,318
Building	4,266	1,654	5,920	5,849
Other	515	136	651	550
	10,926	1,896	12,822	11,738

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

19. CAPITAL ALLOCATION

Capital is invested in the following categories of assets:

GROUP	Tangible fixed assets £000	Investment assets £000	Net current assets £000	Long term liability £000	Total £000
Restricted funds:					
Funds for collegiate purposes					
Income/expendable capital	3,697	1,469	0	0	5,166
Permanent capital	0	5,633	0	0	5,633
	3,697	7,102	0	0	10,799
Funds for non-collegiate purposes					
Income/expendable capital	0	112	0	0	112
Permanent capital	0	15	0	0	15
	0	127	0	0	127
Unrestricted funds:					
Designated funds					
Income/expendable capital	1,655	115	0	0	1,770
Permanent capital	0	126	0	0	126
	1,655	241	0	0	1,896
Undesignated funds					
Income/expendable capital	8,737	1,448	2,818	(10,000)	3,003
Permanent capital	10,917	19,298	2,023	0	32,238
	19,654	20,746	4,841	(10,000)	35,241
	25,006	28,216	4,841	(10,000)	48,063

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

19. CAPITAL ALLOCATION (continued)

Capital is invested in the following categories of assets:

COLLEGE	**Tangible fixed assets** £000	**Investment assets** £000	**Net current assets** £000	**Long term liability** £000	**Total** £000
Restricted funds:					
Funds for collegiate purposes					
Income/expendable capital	3,697	1,469	0	0	5,166
Permanent capital	0	5,633	0	0	5,633
	3,697	7,102	0	0	10,799
Funds for non-collegiate purposes					
Income/expendable capital	0	112	0	0	112
Permanent capital	0	15	0	0	15
	0	127	0	0	127
Unrestricted funds:					
Designated funds					
Income/expendable capital	1,655	115	0	0	1,770
Permanent capital	0	126	0	0	126
	1,655	241	0	0	1,896
Undesignated funds					
Income/expendable capital	8,736	1,448	2,820	(10,000)	3,004
Permanent capital	10,917	19,298	2,023	0	32,238
	19,653	20,746	4,843	(10,000)	35,242
	25,005	28,216	4,843	(10,000)	48,064

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

20. RECONCILIATION OF DEFICIT ON CONTINUING OPERATIONS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£000	£000
Deficit on continuing operations	(372)	(194)
Interest and dividends receivable	(771)	(947)
Depreciation	791	782
Increase in stocks	(7)	3
Increase in debtors	(61)	15
Increase in creditors	420	100
Release of deferred capital funds	(95)	(91)
Net cash outflow from operating activities	(95)	(332)

21. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010	2009
	£000	£000
Interest received	7	334
Dividends received	531	565
Net cash inflow from returns on investments and servicing of finance	538	899

22. CAPITAL TRANSACTIONS

	2010	2009
	£000	£000
Receipts from sales of investment assets	4,328	11,148
Donations and benefactions	658	578
Capital grant received from colleges fund	329	304
Total capital receipts	5,315	12,030
Payments to acquire tangible fixed assets	(1,239)	(1,476)
Payments to acquire investment assets	(3,286)	(18,877)
Loan to Fitzwilliam Information Services Trust Limited	(1,920)	(3,667)
Fitzwilliam Society loan repayment	0	(10)
Capital Grant to Junior Members Association	(1)	(49)
Housing loans to fellows	0	0
Total capital expenditure	(6,446)	(24,079)
Net cash outflow from capital transactions	(1,131)	(12,049)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

23. MANAGEMENT OF LIQUID RESOURCES

	2010 £000	2009 £000
Placing/(withdrawal) from deposits	(807)	(11,421)

24. ANALYSIS OF CHANGES IN NET FUNDS/DEBT

	At 1 August 2009 £000	Cash flows £000	At 31 July 2010 £000
Cash at bank and in hand	31	(5)	26
Bank overdraft	(283)	124	(159)
	(252)	119	(133)
Cash held at fund managers and on deposit	1,623	(807)	816
Bank loan	(10,000)	0	(10,000)
	(8,629)	(688)	(9,317)

25. STAFF

	College fellows £000	Non-academic £000	2010 Total £000	2009 Total £000
Staff costs:				
Emoluments	563	2,273	2,836	2,800
Social security costs	63	161	224	212
Other pension costs	33	392	425	387
	659	2,826	3,485	3,399
	No	**No**	**No**	**No**
Average staff numbers:				
Academic	54	0	54	54
Non-academic	0	99	99	98
	54	99	153	152

There are 59 Fellows in the Governing Body of which the 54 declared above are stipendiary.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

26. CAPITAL COMMITMENTS

At 31 July 2010 future capital expenditure authorised and committed amounted to £2,239,000 (2009 - £395,000).

27. FINANCIAL COMMITMENTS

At 31 July 2010 and 31 July 2009 the College had no annual commitments under non-cancellable operating leases.

28. PENSION SCHEMES

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.

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 institution is therefore exposed to actuarial risks 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.

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 a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

28. PENSION SCHEMES (continued)

Universities Superannuation Scheme (continued)

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 (ie 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%.

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. There is currently uncertainty in the sector regarding pay growth. 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 institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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.

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 next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the institution had 97 active members participating in the scheme.

The total pension cost for the College was £248,886 (2009: £210,673). The contribution rate payable by the College was 16% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2010

28. PENSION SCHEMES (continued)

Fitzwilliam College Assistant Staff Superannuation Fund

The Group also operates an insured pension fund for non- academic employees providing defined benefits to those employees based on their final pensionable salary. Contributions to the fund are based on the recommendation of professional advisors and with the agreement of the fund's actuary. The assets of the Fund are principally invested in a Unitised With-Profits policy with Norwich Union. The fund was valued by an independent actuary as at 1 August 2009.

A market-based valuation has been carried out. This means the assets are taken at a market value and the assumptions used to calculate the liabilities are set with reference to market conditions at the valuation date. As set out in the Statement of Funding Principles, the liabilities have been valued using the Projected Accrued Benefit method. The value of the assets is compared with the past service liability to determine the funding level and the surplus or deficit. No liabilities will arise in respect of service after the valuation date as the Scheme has ceased future accrual.

The past service liability is calculated by estimating the future benefit payments from the Scheme based on pensionable service up to the date accrual ceased and final pensionable salaries projected to retirement. These are then discounted back to the valuation date at the valuation rate of interest. This gives the present value of the liabilities accrued up to the valuation date.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions. It was assumed that the yield up to retirement would be 5.5% per annum, salary increases would be 4.0% per annum and pensions would increase by 3.5% per annum.

At the valuation date, the value of the assets of the scheme was £1,036,000 and the value of the past service liabilities was £2,641,000 indicating a deficit of £1,605,000 and a funding level of 39%.

The last full actuarial valuation showed a deficit of £1,300,000. The main reasons for the change between this deficit and the actual deficit produced now of £1,605,000 related mainly to changes in the assumptions previously made and contributions paid. The actuary also valued the scheme on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date). On this basis the actuary estimated that the funding level would have been approximately 49%.

Due to the current deficit a recovery plan has been put in place to ensure the statutory funding objective is met within a stated period. To eliminate the funding deficit, the employer agreed to contribute £200,000 each year from 1 August 2010 to 1 August 2020. The next formal triennial actuarial valuation is due as at 1 August 2012. The net charge to the income and expenditure account during the year was £179,000.

Financial Reporting Standard 17 requires disclosure in the financial statements of the fair value of the assets and liabilities arising from the group's retirement benefit obligations and any related funding at each balance sheet date. It also requires disclosure of key actuarial assumptions, the cost of providing retirement benefits, the related finance costs and any other changes in value of the assets and liabilities. The information shown is to be updated by the scheme's actuary at each balance sheet date. The Governing Body has concluded that it is not in its interest to incur the costs of an annual actuarial valuation. The above note therefore includes corresponding information from the most recent triennial valuation performed by the actuary for the pension scheme. It is not practicable to quantify the effect of this departure from accounting standards.

29. RELATED PARTY TRANSACTIONS

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