

ST CATHARINE'S COLLEGE, CAMBRIDGE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

ST CATHARINE'S COLLEGE, CAMBRIDGE

GOVERNING BODY AND ADVISORS

Governing Body and advisors

The College is a corporate body consisting of the Master, the Fellows and the Scholars. It is an exempt charity with its registered office at Trumpington Street, Cambridge CB2 1RL.

The Governing Body consists of the Master and Professorial and Official Fellows and exercises control over all matters concerning the College. The Finance Committee consists of the Master, Senior and Junior Bursars, Senior Tutor, Development Director and eight Fellows appointed by the Governing Body. It meets at least once each term and monitors income and expenditure against the Budget and reports to the Governing Body at the next College meeting thereafter. The Finance Committee also acts as the internal auditors to the accounts as required by the Statutes of the College. The Investments Committee consists of the Master, the Senior Bursar and four Fellows appointed by the Governing Body. There are also two Members of the College who have offered their services as advisors to the Committee and attend its meetings which are held once each term. The Investments Committee oversees the management of the College's estates and investments and reports to the Governing Body.

The names of the Governing Body, the Finance Committee and the Investments Committee during the year were:

Governing Body

Master	Professor Dame Jean Thomas
President (Chairman):	Professor Sir Christopher Bayly
Senior Tutor:	Dr P N Hartle (from 1 July 2008 to 31 December 2008)
	Ms I Borzym (from 1 January 2009 to 30 June 2009)
Senior Bursar:	Mr S P Summers

Professor Sir J Baker	Dr R W Dance	Dr I Scales
Professor R L Martin	Dr P D Wothers	Professor W Sutherland
Dr R S K Barnes	Professor K J Dalton	Dr L Dixon
Dr J A Little	Dr M C Elliott	
Professor P Tyler	Ms I Borzym	
Dr R B B Wardy	Dr A S Brundin	
Professor H Elderfield	Dr S Iyer	
Professor J A Pyle	Dr M J Mason	
Dr P R Palmer	Dr P B Faulkner	
Professor E V Ferran	Dr J N McElwaine	
Professor D M Broom	Dr F C Wardle	
Professor H Van de Ven	Dr S N Taraskin	
Dr P Oliver	Dr T W Drummond	
Dr I C Willis	Dr J R Gair	
Professor C M Clark	Dr D J Bainbridge	
Dr E G Kantaris	Dr H Wydra	
Professor J D Pickard	Dr M Johns	
Mr M F Kitson	Professor H Coles	
Dr R A Melikan	Dr L Delap	
Dr M P F Sutcliffe	Dr H Lees-Jeffries	
Dr J H Xuereb	Dr E Wickham	
Professor R P Gordon	Dr G Carr	
Dr A P Davenport	Dr M Griffin	
Dr K J Dell	Dr R Harrison	
Dr C J Gonda	The Revd A M Moore	
Dr N Berend	Dr J Dalley	
Professor R J Bennett	Dr S M Morris	
Dr D C Aldridge	Mrs DG Loveluck	

ST CATHARINE'S COLLEGE, CAMBRIDGE

GOVERNING BODY AND ADVISORS (CONTINUED)

Finance Committee

Professor Dame Jean Thomas	Master
Mr S P Summers	Senior Bursar
Mr S McLellan	Junior Bursar
Dr P N Hartle	Senior Tutor (from 1 July 2008 to 31 December 2008)
Ms I Borzym	Senior Tutor (from 1 January 2009 to 30 June 2009)
Mrs D G Loveluck	Development Director
Dr R B B Wardy	The Graduate Tutor (Financial)
Professor P Tyler	
Dr G Kantaris	
Professor H Coles	
Professor D Broom	
Professor KJ Dalton	
Professor H Elderfield	
Professor RJ Bennett	

Investments Committee

Professor Dame Jean Thomas	Master
Mr S P Summers	Senior Bursar
Dr J McElwaine	
Dr T Drummond	
Professor J Pickard	
Dr Faulkner	
Mr N R Haynes	Advisor
Mr T Adams	Advisor

Auditors

Price Bailey LLP
The Quorum
Barnwell Road
Cambridge
CB5 8RE

Solicitors

Kester Cunningham John
Chequers House
77-81 Newmarket Road
Cambridge
CB5 8EU

Chartered Surveyors

Bidwells Property Consultants
Trumpington Road
Cambridge
CB2 2LD

Bankers

Barclays Bank Plc
Cambridge Business Centre
Cambridge
CB2 3PZ

Investment Fund Managers

UBS AG
1 Curzon Street
London
W1J 5UB

ST CATHARINE'S COLLEGE, CAMBRIDGE

CONTENTS

	Page
Senior Bursar's report to the Governing Body	1 - 4
Statement of Responsibilities of the Governing Body	5
Independent auditors' report	6 - 7
Statement of principal accounting policies	8 - 11
Consolidated income and expenditure account	12
Consolidated statement of total recognised gains and losses	13
Balance sheets	14
Consolidated cash flow statement	15
Notes to the accounts	16 - 32

ST CATHARINE'S COLLEGE, CAMBRIDGE

SENIOR BURSAR'S REPORT TO THE GOVERNING BODY *FOR THE YEAR ENDED 30 JUNE 2009*

The College's mission is to be a centre of excellence for higher education, teaching, research and personal development within the Collegiate University of Cambridge. 2008/9 was another year of strong academic, cultural and sporting results. Maintaining this performance in future will continue to be limited by the funding available to the College, and the very poor investment returns of most of the past eighteen months are severely constraining our financial flexibility.

The Auditors have stated that the accounts represent a true and fair view of the financial situation on 30 June 2009, without qualification.

The main elements of the financial statements are:

- Consolidated Income and Expenditure Account
- Consolidated Statement of Total Recognised Gains and Losses (STRGL)
- Balance Sheets
- Consolidated Cash Flow Statement

Notes to the accounts expand on the information in these main statements as well as providing additional disclosures.

Consolidated Income and Expenditure Account

This first statement reveals that the College this year had a deficit of £702,000 after Statute GII contributions of £11,000 but before transfers to restricted expendable capital, compared to last year's reported deficit of £542,000. The increased deficit arises from the net effect of lower unrestricted donations, an expected faster growth in Academic salary-related costs than in the corresponding fees, and strong growth in income from rents and catering charges, especially those to external customers. Returns from the invested endowment were slightly improved on last year, but this is solely due to accounting changes discussed in more detail below. The transfer of unspent funds to accumulated income within restricted expendable capital is significantly higher than last year.

Income from recurring academic fees and charges has risen by 2.1% this year compared to a 3% increase last year.

The rest of the growth in academic fee income is from one-off grants, which are matched by outgoing costs. This income category includes a continuation of the generous and most welcome support for teaching and fellowship expenses from Trinity College and the Newton Trust. This funding is for fixed periods of time, and the College continues with some success to fundraise to endow the costs of its College Teaching Officers through the Development Campaign.

Within the category of Residence, Catering and Conference income, overall revenue from members, predominantly current students, increased significantly. This was in part due to higher food and energy costs being passed on to members, and I am pleased that in 2009/10 student charges for Heating & Lighting will be reduced by 20%, following the renegotiation of some supply contracts. Food cost inflation has also eased.

Conference accommodation and external catering income together rose by over 14%, as the College continued to pursue additional sources of revenue to support the fixed year round costs of our core educational activities. In tough market conditions this is an excellent outcome.

Endowment Income comprises two quite different components, unrestricted donations and investment income. Unrestricted funds raised by the Development campaign declined year on year. This is an unpredictable income stream, where the continuing efforts of the Development Office receive tangible returns in an unpredictable manner. It is also impossible to predict accurately the split of donations and legacies received in any year between unrestricted gifts to be spent at the discretion of the Governing Body, and restricted ones where the donor or legatee has given College guidance on the use of the funds. The latter are reported in the STRGL and performed well in 2008-9. Further discussion of Legacies and Donations appears below.

ST CATHARINE'S COLLEGE, CAMBRIDGE

SENIOR BURSAR'S REPORT TO THE GOVERNING BODY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

Investment income was somewhat disappointing in 2008/9. Income from investment properties was barely changed as vacancies were offset by the implementation of increased rents agreed in prior years. I anticipate that rental income will be higher in 2009-10 than last year. Income from investments in property unit trusts remained high, despite further falls in capital values. Income on our securities portfolio was reduced, on a comparable basis, due to lower interest rates and dividend cuts.

In previous years the College has accounted for realised capital gains and losses in this category of Income, and unrealised gains or losses in the Consolidated Statement of Total Recognised Gains and Losses. This year all capital gains and losses are recognised in the STRGL, in line with the common practice of most other Colleges. The effect of this change is to remove this year a loss of £579,000 from "Endowment Income on Quoted Securities" (See Note 3 to the Accounts). Without this change the income reported on this line would be reduced by the same amount, and would therefore be 6% lower than in 2007/8, and much lower than in prior years of stronger investment markets. The loss of £579,000 is instead a part of the "Depreciation of Investment Assets" totalling some £5.1 million, which appears in the STRGL.

Given the uncertain investment climate, and our planned building programme, cash balances remained high and interest income reflects this position. However maturing term deposits are now being reinvested at much reduced interest rates, and this component of investment income will also be substantially reduced next year.

Total costs increased by 5.4%, within which Educational expenditure rose by 7.2%, which is not unexpected given the 2008 pay increases in the higher Education sector. Residential, Catering and Conference costs were well managed given the rise in volumes of external business.

Depreciation charges rose to £750,000 in 2008-9 as a result of the continuing investment and renewal programme in College buildings, and the increase of £44,000 also contributes to the higher deficit this year.

Consolidated Statement of Total Recognised Gains and Losses

The Loss on Sale and Depreciation of Investment Assets totalling £5.1 million is discussed in part above. While dividend and interest income from our portfolio held up tolerably well, the instability in the financial and property markets has seriously depleted the value of the endowment once again (following the £2.3 million decline last year). Restricted and Designated donation income of almost £2.5 million is a very encouraging and welcome level of support for the College from our Members.

After a review of College funds, the STRGL includes a reallocation of prior year income between Restricted, Designated and Unrestricted funds. This has no net effect on the total capital value of the College. Otherwise, this Statement details other movements in Balance Sheet values and contains little positive news this year. I will cover the issues arising in the Balance Sheet discussion below

Balance Sheets

The Balance Sheet reports a decline in the total value of Funds caused by falls in investment values, and the deficit on Income & Expenditure.

The overall investment portfolio showed a total return of -10.9% in 2008/9 and of -1.6% per annum over the period 2006/9. This is, for the second year running, well below our rolling three year target, which is currently equal to 7.2% per annum. The importance of achieving this target is that it enables us to spend 4% per annum of the recent value of the endowment, a figure upon which operating plans are set.

Unless investment returns improve, then annual deficits will continue and spending plans will have to be cut back. The positive investment returns of the two most recent quarters, i.e. ending June and September 2009, are encouraging but represent, in the eyes of many commentators, only flimsy evidence of a lasting economic recovery.

ST CATHARINE'S COLLEGE, CAMBRIDGE

SENIOR BURSAR'S REPORT TO THE GOVERNING BODY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2009

The College's securities portfolio, the largest portion of the endowment, performed disappointingly during the financial year, achieving a total return on average invested capital of -10.4%, or a rolling average over the last three years of -1.8% per annum. This fell short of the established rolling average return target of 7.2% per annum, which has been our managers' mandate, ie defined as 4.7% per annum return after inflation. During the year this benchmark was superseded by a target of beating an appropriate market index in each major asset class, after all fees. Initial results from this change of focus, and the consequent rearrangement of the portfolio, especially in equity investments, are positive.

Within the above overall one year return, Equity funds returned -17.8%, and bonds +8.3%, both before inflation. However both UK and Overseas equity portfolios have beat the relevant index since their reorganisation. The bond portfolio is of high credit quality but contains some exposure to corporate credit, and over the past twelve months that has led to underperformance against government bond indices. There have been no credit losses or provisions and I expect returns to improve as the corporate bond values return to par at maturity.

The College continues to hold a substantial proportion of its endowment in property including property unit trusts. In both cases values performed poorly again last year compared with the preceding few years. The total return on owned property was -10.6% and on property funds was -25%. No further fund units were sold after the realisations of March 2007, although a holding in TRITON was sold after the year end, and the position in the Charities Property Fund has been increased. The College has successfully relet one vacant property during the past year, and is in negotiations for the renewal, reletting or disposal of other properties.

The College remains an active participant in the consortium of landowners seeking to develop land on the North-West edge of Cambridge. While it is still expected that approval will be given for the land to be developed, I have to report that the timescale for the College to realise value from residential building on the land will now be even longer than previously hoped. The College has not made any financial commitments dependent on proceeds from the land. The investment portfolio continues to hold no mortgage or other asset backed securities, credit enhanced bonds or non-investment grade bonds, and College bank deposits remain diversified between major UK clearing banks.

The College began in 2008-9 to spend the cash raised by borrowing in 2007, initially on an expansion of graduate student accommodation during the year. The project was completed on schedule and the rooms are being occupied by students in October 2009. The scheme has been offered a substantial grant from the Wolfson Foundation. We are very grateful for this continuation of a long relationship of support for the expansion of the College. We have also received a generous gift from an alumnus towards the costs of this scheme, and intend to raise further similar funds.

The balance sheets once again include the College's share of the deficit in the CCFPS staff pension schemes, which has increased by 25% this year, to £1.411 million from a deficit of £1.129 million as at 30 June 2008, due primarily to poor investment returns and adverse interest rate movements. The Notes to the Accounts also draw attention to a significant deficit in the Universities Superannuation Scheme for academic staff. The College will need to make allowance in its spending of investment returns for the funding of each of these liabilities over the next 40 years or more.

Because the triennial revaluations of both pension schemes reported increased deficits during the past year, higher rates of contribution are being made by Employers. As a result of the revaluation of CCFPS, the College is consulting on changes to pension arrangements for new members of staff, and on varying CCFPS contribution rates by current staff. It has also begun a programme of additional cash contributions into the CCFPS scheme, aiming to clear the deficit over ten years.

Consolidated Cash Flow Statement

This statement reflects both normal operating and major capital cash movements last year, and shows a continuing emphasis on liquidity, given the high level of tangible and financial asset values.

ST CATHARINE'S COLLEGE, CAMBRIDGE

SENIOR BURSAR'S REPORT TO THE GOVERNING BODY (CONTINUED) *FOR THE YEAR ENDED 30 JUNE 2009*

University Contribution

The College's assessment for liability to University Contribution has been calculated under the rules in Statutes GII at £11,000. The College was fortunate to receive last year a Capital grant from the Colleges Fund of £99,000.

Capital and Financial Commitments

Note 16 records the commitment to building projects, all of which were successfully completed in summer 2009. The College intends to commit to further investment in refurbishing student accommodation and building new teaching space during the current academic year. It has also committed to invest up to a further \$2.4 million over several years in several private equity schemes as discussed in the Note.

Legacies and Benefactions

The College learned late in the year of a substantial unrestricted legacy from the estate of Dr Stuart Cousens (1948), which will be received with great thanks. In addition we are fortunate to have received support during the year towards funding two more teaching Fellowships, and legacies, donations and pledges of support from several other Members, all of which are valuable contributions to the rising costs of providing the rounded Cambridge educational experience. We are extremely grateful to Dr Cousens, and to all members and others who have donated or pledged gifts, or have arranged legacies towards the support of our mission.

Overall Summary

A second very poor year of investment returns has lead us to seek cost reductions in many areas without affecting the broad education of our students, but unfortunately has also lead to higher student charges. Cutting costs when the College is full is difficult, and the College is very fortunate both to have achieved once again a growing contribution from the non- core operations such as Conferences and external Catering, thanks largely to the skill and efforts of the staff involved, and to have benefited from the generosity of members.

As ever, I would like to thank the staff and all members of the College community for their contributions over the past twelve months to its continuing all round success. There is a great sense of financial realism at all levels in the organisation, which I am confident will enable us to continue delivering our charitable mission of education and research within the University of Cambridge despite the very uncertain financial future.

S P Summers
Senior Bursar
October 20th 2009

ST CATHARINE'S COLLEGE, CAMBRIDGE

ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

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.

The College's Statutes 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 apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

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

ST CATHARINE'S COLLEGE, CAMBRIDGE

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF ST CATHARINE'S COLLEGE, CAMBRIDGE

We have audited the financial statements which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the College and Group 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 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 Statutes and the Statutes of the University of Cambridge. We also report to you if, in our opinion, the Report to the Governing Body 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 consider whether the statement in the Report to the Governing Body concerning the major risks to which the College is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the College's risk management and control procedures.

We read other information contained in the Senior Bursar's Report to the Governing Body 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.

ST CATHARINE'S COLLEGE, CAMBRIDGE

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF ST CATHARINE'S COLLEGE, CAMBRIDGE

Opinion

In our opinion the financial statements give a true and fair view of the state of the College and Group's affairs as at 30 June 2009 and of the deficit of the Group 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.

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

**Price Bailey LLP
Chartered Accountants
Registered Auditors
27 November 2009**

ST CATHARINE'S COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009

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 certain investment and fixed assets.

Recognition of income

Income from the investment of trust and other restricted reserves is included in the Income and Expenditure Account to the extent of the expenditure incurred during the year. All income from short-term deposits and the investment of unrestricted College reserves is credited to the Income and Expenditure Account on a receivable basis. Unrestricted donations and benefactions are credited to the Income and Expenditure Account when received.

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.

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

Donations and benefactions of an income nature are shown as income in the year in which they become receivable.

Benefactions and donations accepted on the condition that only the income may be spent are credited to the balance sheet as permanent capital funds. The income from the permanent capital funds is shown as income in the year that it is receivable. Income from the permanent capital funds 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.

Pension schemes

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

ST CATHARINE'S COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

Capital and reserves

The various types of funds are defined as follows:

a. Restricted

Restricted funds of the College, the income of which may only be used for a particular purpose, i.e. subject to a legally binding restriction such as a trust deed or will, or an implied trust.

b. Unrestricted

Unrestricted funds of the College, the income of which may be used for any purpose.

c. Designated

Unrestricted funds of the College, the income of which the Governing Body has decided to use for a particular purpose.

d. Permanent capital

Capital of the College which the Governing Body has no power to convert to income and apply as such.

Fixed assets

a. Land and buildings

The main College buildings are stated at depreciated replacement cost, as determined by professional valuers every five years. An amount has been deducted from the replacement cost to reflect their accumulated obsolescence in use depending on the age of the property to give a sum for their depreciated replacement cost. All College buildings on the main site are depreciated on a straight-line basis over 50 years. Freehold land is capitalised at its estimated market value and is not depreciated.

When land and buildings are acquired with the aid of specific bequests or donations, monies received are credited to a deferred capital grant account and income released to the Income and Expenditure Account over the same period as the land or building to which it relates is depreciated.

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

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

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred to 30 June. They are not depreciated until they are brought into use.

Land held specifically for development, investment and subsequent sale is included in current assets at the lower of cost and net realisable value.

b. Maintenance of buildings

The cost of routine maintenance is charged to the Income and Expenditure Account as it is incurred.

ST CATHARINE'S COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

c. Furniture and equipment

Furniture and equipment including books in the College's working library are not capitalised as they are deemed to be immaterial. Such expenditure is written off in the year of acquisition.

d. Rare books, silver and works of art

These are stated at their insurance value, which is reviewed annually. They are depreciated on a straight-line basis over 30 years.

Investments

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.

Investment properties are shown at open market value, being valued every year by a professional valuer, and shown on the balance sheet accordingly.

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 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.

ST CATHARINE'S COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED) *FOR THE YEAR ENDED 30 JUNE 2009*

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.

Subsidiary companies

The college has two wholly owned subsidiaries.

The College has consolidated St Catharine's College Development Limited.

The College has not consolidated St Catharine's College Events Limited because as at 30 June 2009 it had not begun trading.

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

ST CATHARINE'S COLLEGE, CAMBRIDGE

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 £000	2008 £000
Income			
Academic fees and charges	1	2,027	1,959
Residences, catering and conferences	2	3,216	2,864
Endowment income	3	2,226	2,400
Other income		58	57
Total income		<u>7,527</u>	<u>7,280</u>
Expenditure			
Education	4	3,831	3,572
Residences, catering and conferences	5	3,952	3,979
Other expenditure		435	253
Total expenditure		<u>8,218</u>	<u>7,804</u>
Operating deficit		(691)	(524)
Contribution under Statute G II		<u>(11)</u>	<u>(18)</u>
		(702)	(542)
Transfers to accumulated income within restricted expendable capital		(408)	(29)
Net deficit		<u>(1,110)</u>	<u>(571)</u>
Transfers to designated funds		<u>-</u>	<u>-</u>

All of the above results derive from continuing operations.

The accompanying notes are an integral part of this income and expenditure account.

ST CATHARINE'S COLLEGE, CAMBRIDGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2009

		Restricted Funds	Unrestricted Funds		Total 2009 £000	Total 2008 £000
	Note	Collegiate Purposes £000	Designated Funds £000	Undesignated Funds £000		
At 1 July 2008		<u>12,974</u>	<u>5,986</u>	<u>54,829</u>	<u>73,789</u>	<u>76,056</u>
Appreciation/(depreciation) of investment assets		(2,266)	(1,095)	(1,752)	(5,113)	(2,335)
Retained (deficit)/surplus for the year		-	-	(1,110)	(1,110)	(571)
Reallocation		1,149	954	(2,103)	-	-
Unspent restricted fund income retained by funds		282	127	-	409	29
Benefactions and donations		2,235	259	-	2,494	1,018
Transfer to income and expenditure		-	13	(13)	-	-
Capital grant from Colleges Fund		-	-	99	99	97
Use of expendable funds		(96)	(13)	-	(109)	-
Capital distributions		-	-	287	287	-
Actuarial losses	18	-	-	(470)	(470)	(523)
Other		-	-	158	158	18
Total recognised gains/(losses) for the year		<u>1,304</u>	<u>245</u>	<u>(4,904)</u>	<u>(3,355)</u>	<u>(2,267)</u>
At 30 June 2009		<u>14,278</u>	<u>6,231</u>	<u>49,925</u>	<u>70,434</u>	<u>73,789</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Fixed assets					
Tangible Assets	7	38,597	35,722	35,752	35,752
Investments	8	32,603	32,603	36,558	36,558
		<u>71,200</u>	<u>68,325</u>	<u>72,310</u>	<u>72,310</u>
Current assets					
Stock		174	174	174	174
Investments (deposits)		4,600	4,600	5,500	5,500
Debtors	9	835	3,584	609	609
Cash	10	3,461	3,460	4,318	4,318
		<u>9,070</u>	<u>11,818</u>	<u>10,601</u>	<u>10,601</u>
Creditors: amounts falling due within one year	11	(1,486)	(1,484)	(1,149)	(1,149)
Net current assets		<u>7,584</u>	<u>10,334</u>	<u>9,452</u>	<u>9,452</u>
Total assets less current liabilities		<u>78,784</u>	<u>78,659</u>	<u>81,762</u>	<u>81,762</u>
Creditors: amounts falling due after more than one year	12	(6,125)	(6,000)	(6,000)	(6,000)
Provisions for liabilities and charges	13	(814)	(814)	(844)	(844)
Net assets excluding pension liability		<u>71,845</u>	<u>71,845</u>	<u>74,918</u>	<u>74,918</u>
Pension liability	18	(1,411)	(1,411)	(1,129)	(1,129)
Net assets including pension liability		<u><u>70,434</u></u>	<u><u>70,434</u></u>	<u><u>73,789</u></u>	<u><u>73,789</u></u>

		Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Group Total 2009 £000	College Total 2009 £000	Group Total 2008 £000	College Total 2008 £000
Capital and Reserves							
Restricted funds held for collegiate purposes	14	2,482	11,796	14,278	14,278	12,974	12,974
Designated funds	14	6,231	-	6,231	6,231	5,986	5,986
Unrestricted funds	14	14,879	35,046	49,925	49,925	54,829	54,829
Total	14	<u><u>23,592</u></u>	<u><u>46,842</u></u>	<u><u>70,434</u></u>	<u><u>70,434</u></u>	<u><u>73,789</u></u>	<u><u>73,789</u></u>

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

The accounts on pages 8 to 32 were approved by the Governing Body on 13 November 2009 and signed on their behalf by:

Professor Dame J Thomas

S P Summers

ST CATHARINE'S COLLEGE, CAMBRIDGE

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009 £000	2008 £000
Operating Activities		
Operating (deficit)	(702)	(542)
Depreciation	750	706
Loss on sale of investments	-	490
FRS 17 pension adjustment	(188)	(59)
Increase in stock	-	(8)
(Increase)/decrease in debtors	(226)	149
Increase in creditors	469	124
Increase in provisions	-	1
Other	299	-
Net cash inflow from operating activities	402	861
Capital expenditure and financial investment		
Receipts from sale of investment assets	20,477	5,802
Donations and benefactions	2,494	1,018
Capital grants received from Colleges Fund	99	97
Total capital receipts	23,070	6,917
Payments to acquire tangible fixed assets	(3,595)	(54)
Payments to acquire investment assets	(20,734)	(12,226)
Total capital expenditure	(24,329)	(12,280)
Net cash outflow from capital transactions	(1,259)	(5,363)
Financing		
Increase in bank loan	-	6,000
Increase in cash	(857)	1,498
Reconciliation of net cash flow to movement in net liquid assets		
Increase in cash in period	(857)	1,498
Net funds at 1 July 2008	4,318	2,820
Net funds at 30 June 2009	3,461	4,318

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

1. Academic fees and charges

	2009 £000	2008 £000
College Fees		
Fee income from undergraduates eligible for student support	1,406	1,354
Other undergraduate fee income	132	120
Graduate fee income	379	405
	<u>1,917</u>	<u>1,879</u>
Research/teaching grants	107	62
Other fees	3	18
	<u>2,027</u>	<u>1,959</u>
Total	<u><u>2,027</u></u>	<u><u>1,959</u></u>
	2009 £	2008 £
Per capita fees	<u><u>2,992</u></u>	<u><u>2,863</u></u>

2. Residence, catering and conference income

	2009 £000	2008 £000
Accommodation		
College Members	1,477	1,440
Conferences	493	416
Catering		
College Members	678	498
Conferences	568	510
	<u>3,216</u>	<u>2,864</u>
Total	<u><u>3,216</u></u>	<u><u>2,864</u></u>

3. Endowment income

	Income from restricted funds for collegiate purposes £000	Income from unrestricted funds £000	Total 2009 £000	Total 2008 £000
Transfers from endowment				
Income from:				
Freehold land and buildings	202	321	523	526
Unit trusts	81	129	210	216
Quoted securities	182	290	472	185
Donations and benefactions	-	644	644	1,338
Cash	146	231	377	135
	<u>611</u>	<u>1,615</u>	<u>2,226</u>	<u>2,400</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

3. Endowment income (continued)

	2009 £000	2008 £000
Investment management costs:		
Freehold land and buildings	32	42
Unit Trusts	3	6
Quoted securities	114	85
Total	149	133

4. Education expenditure

	2009 £000	2008 £000
Teaching	2,071	1,799
Tutorial	628	626
Admissions	239	324
Research	410	332
Scholarships and awards	194	231
Other educational facilities	289	260
Total	3,831	3,572

5. Residences, catering and conferences expenses

	2009 £000	2008 £000
Accommodation		
College members	2,174	2,213
Conferences	379	406
Catering		
College members	761	781
Conferences	638	579
Total	3,952	3,979

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

6a. Analysis of 2009 expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Total £000
Education	2,271	1,264	296	3,831
Residences, catering and conferences	1,994	1,504	454	3,952
Other	11	424	-	435
	<u>4,276</u>	<u>3,192</u>	<u>750</u>	<u>8,218</u>

6b. Analysis of 2008 expenditure by activity

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Total £000
Education	1,920	1,324	328	3,572
Residences, catering and conferences	1,613	1,988	378	3,979
Other	7	246	-	253
	<u>3,540</u>	<u>3,558</u>	<u>706</u>	<u>7,804</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

7. Fixed assets Group

	College Buildings and Site £000	College Houses and Hostels £000	Rare Books £000	Silver and Works of Art £000	Total £000
Cost/valuation					
At 1 July 2008	33,281	4,085	866	1,826	40,058
Additions	720	2,875	-	-	3,595
At 30 June 2009	34,001	6,960	866	1,826	43,653
Depreciation					
At 1 July 2008	3,276	490	173	367	4,306
Provided for the year	578	82	29	61	750
At 30 June 2009	3,854	572	202	428	5,056
Net book value					
At 30 June 2009	30,147	6,388	664	1,398	38,597
At 30 June 2008	30,005	3,595	693	1,459	35,752

Included in the group fixed assets are Houses and Hostels of £2,875,000 (2008 : £nil) which are under construction and have not been depreciated.

College

	College Buildings and Site £000	College Houses and Hostels £000	Rare Books £000	Silver and Works of Art £000	Total £000
Cost/valuation					
At 1 July 2008	33,281	4,085	866	1,826	40,058
Additions	720	-	-	-	720
At 30 June 2009	34,001	4,085	866	1,826	40,778
Depreciation					
At 1 July 2008	3,276	490	173	367	4,306
Provided for the year	578	82	29	61	750
At 30 June 2009	3,854	572	202	428	5,056
Net book value					
At 30 June 2009	30,147	3,513	664	1,398	35,722
At 30 June 2008	30,005	3,595	693	1,459	35,752

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

7. Fixed assets (continued)

The College buildings, site, houses and hostels were valued by Gerald Eve, Chartered Surveyors, at replacement cost at 30 September 2003. Also included within College Buildings and Site is freehold land valued by Bidwells Property Consultants, Chartered Surveyors, at £5 million; this is not depreciated.

8. Investments

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
At 1 July 2008	36,558	36,558	37,709	37,709
Additions	20,734	20,734	6,736	6,736
Disposals	(20,156)	(20,156)	(5,540)	(5,540)
Devaluation	(4,533)	(4,533)	(2,347)	(2,347)
	<u>32,603</u>	<u>32,603</u>	<u>36,558</u>	<u>36,558</u>
At 30 June 2009	<u>32,603</u>	<u>32,603</u>	<u>36,558</u>	<u>36,558</u>
Represented by:				
Freehold property	8,245	8,245	9,590	9,590
Charities property fund	1,723	1,723	2,375	2,375
Property unit trust	655	655	1,008	1,008
Quoted securities	21,439	21,439	22,891	22,891
Property income trust	161	161	286	286
Unquoted securities	380	380	408	408
	<u>32,603</u>	<u>32,603</u>	<u>36,558</u>	<u>36,558</u>
Total	<u>32,603</u>	<u>32,603</u>	<u>36,558</u>	<u>36,558</u>

Freehold property was valued by Bidwells Property Consultants, Chartered Surveyors, at open market value at 30 June 2009.

Holdings of more than 20%

The college holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
St Catharine's College Development Limited	UK	Ordinary	100.00
St Catharine's College Events Limited	UK	Ordinary	100.00

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

8. Investments (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2009	Profit for the year 2009
	Principal activity	£	£
St Catharine's College Development Limited	Development contractor	100	Nil
St Catharine's College Events Limited	Dormant	100	N/A

St Catharine's College Development Limited began trading on 1 July 2008. St Catharine's College Events Limited was dormant until 30 June 2009.

9. Debtors

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Trade debtors	141	141	122	122
Taxation	69	45	84	84
Other debtors	300	300	250	250
Loan to subsidiary undertaking	-	2,773	-	-
Prepayments and accrued income	325	325	153	153
	<u>835</u>	<u>3,584</u>	<u>609</u>	<u>609</u>

Amounts falling due after more than one year and included in debtors above are:

Other debtors	202	202	246	246
	<u>202</u>	<u>202</u>	<u>246</u>	<u>246</u>

10. Cash

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Short-term deposits	2,533	2,532	2,998	2,998
Current account	922	922	1,314	1,314
Cellar deposit account	6	6	6	6
	<u>3,461</u>	<u>3,460</u>	<u>4,318</u>	<u>4,318</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

11. Creditors: amounts falling due within one year

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Trade creditors	988	988	449	449
Taxation and Social Security	67	67	92	92
Income in advance	235	235	94	94
Other creditors	196	194	514	514
	<u>1,486</u>	<u>1,484</u>	<u>1,149</u>	<u>1,149</u>

12. Creditors: amounts falling due after more than one year

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Bank loan	6,000	6,000	6,000	6,000
Trade creditors	125	-	-	-
	<u>6,125</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

The above bank loan is repayable, other than by instalments, in over five years

13. Provisions for liabilities and charges

	Group 2009 £000	College 2009 £000	Group 2008 £000	College 2008 £000
Balance at 1 July 2008	844	844	843	843
Expenditure in the period	(140)	(140)	(30)	(30)
Transferred from income and expenditure account	110	110	31	31
	<u>814</u>	<u>814</u>	<u>844</u>	<u>844</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

14. Capital and reserves

	Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Total 2009 £000	Total 2008 £000
Restricted funds:				
Capital funds	2,193	10,977	13,170	11,345
Bursaries, awards and prizes	289	819	1,108	1,629
	<u>2,482</u>	<u>11,796</u>	<u>14,278</u>	<u>12,974</u>
Unrestricted funds				
Designated funds:				
Capital funds	5,046	-	5,046	4,908
Bursaries, awards and prizes	1,185	-	1,185	1,078
	<u>6,231</u>	<u>-</u>	<u>6,231</u>	<u>5,986</u>
Undesignated funds:	14,879	35,046	49,925	54,829
Total funds	<u>23,592</u>	<u>46,842</u>	<u>70,434</u>	<u>73,789</u>

Reconciliation of movement in capital and reserves:

	Restricted Funds		Unrestricted Funds			
			Designated Funds	Undesignated Funds		
	Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Income/ Expendable Capital Funds £000	Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Total 2009 £000
						Total 2008 £000
At 1 July 2008	3,703	9,271	5,986	19,783	35,046	76,056
(Decrease)/increase in year	(1,221)	2,525	245	(4,904)	-	(2,267)
At 30 June 2009	<u>2,482</u>	<u>11,796</u>	<u>6,231</u>	<u>14,879</u>	<u>35,046</u>	<u>73,789</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

14. Capital and reserves (continued)

Analysis of restricted and designated funds

	Restricted Funds 2009 £000	Designated Funds 2009 £000	Total 2009 £000	Total 2008 £000
Fellowship funds	12,802	4,839	17,641	16,254
Home bursaries	791	1,307	2,098	2,054
Overseas bursaries	86	-	86	77
Graduate bursaries	146	85	231	131
Prizes	189	-	189	178
Travel awards	264	-	264	266
	<u>14,278</u>	<u>6,231</u>	<u>20,509</u>	<u>18,960</u>

Capital is invested in the following categories of assets

	Restricted Funds		Unrestricted Funds				
			Designated Funds	Undesignated Funds			
	Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Income/ Expendable Capital Funds £000	Income/ Expendable Capital Funds £000	Permanent Capital Funds £000	Total 2009 £000	Total 2008 £000
Tangible fixed assets	-	-	-	3,551	35,046	38,597	35,752
Investment assets	2,482	11,796	6,231	12,094	-	32,603	36,558
Current assets and total liabilities	-	-	-	(766)	-	(766)	1,479
Total	<u>2,482</u>	<u>11,796</u>	<u>6,231</u>	<u>14,879</u>	<u>35,046</u>	<u>70,434</u>	<u>73,789</u>

15. Policy on management of reserves

The College's reserves are invested in property, both direct property holdings and in property unit trusts, and in cash, equities and alternative instruments, according to a Statement of Investment Principles which is reviewed by the Investments Committee and the Governing Body from time to time. Cash balances are maintained at a level to fund recurring expenditure.

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

16. Capital commitments

Commitments contracted for at 30 June 2009:

The group has entered into contracts for work on the College buildings at an expected total cost of £859,000 (2008 : £602,500).

The group is participating in a collective investment with the University of Cambridge and other Cambridge Colleges. The maximum level of participation will not exceed US \$1,000,000 (2008 : US \$1,000,000) of which US \$366,000 (2008 : US \$255,000) had already been paid at 30 June 2009.

The group has entered into other collective investment schemes through investment managers.

The maximum level of participation will not exceed US \$2,000,000 (2008 : \$1,540,000) and €350,000 (2008 : €350,000), of which US \$745,000 (2008 : \$716,781) and €45,000 (2008 : €22,500) has already been paid.

17. Staff

	College Fellows 2009 £000	Non Academic 2009 £000	Total 2009 £000	Total 2008 £000
Staff costs:				
Emoluments	1,282	2,076	3,358	2,801
Social Security costs	73	143	216	197
Other pension costs	143	381	524	372
	<u>1,498</u>	<u>2,600</u>	<u>4,098</u>	<u>3,370</u>

Average number of staff (full time equivalent)

Academic	60	-	60	59
Non academic	4	80	84	84
	<u>64</u>	<u>80</u>	<u>144</u>	<u>143</u>

Of the 64 (2008 : 63) College Fellows all the non-academic and 19 (2008 : 18) of the academics are employed full time.

No officer or employee of the College, including the Head of House, received emoluments of over £70,000 (2008 : £70,000) during the year.

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS). In addition the College contributes to the Church of England Funded Pension Scheme (CEFPS) on behalf of the College chaplain. The assets of the schemes are held in separate trustee administered funds. The total pension costs for the period were £468,228 (2008 : £433,502). This includes £48,508 (2008 : £46,102) outstanding contributions at the balance sheet date.

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. USS has over 49 active members and the College has active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the 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 management committee. 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 institution 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 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 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 (ie 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 rated down 1 year	PA92 MC YoB tables -
Female members' mortality No age rating	PA92 MC YoB tables -

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.

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

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 (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 college 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, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year 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 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

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

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

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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 has agreed 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 to take investment risk relative to the liabilities, the trustee receives advice from 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. 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. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2009, USS had over 130,000 active members and the college had 49 active members participating in the scheme.

The total pension cost for the college was £161,127 (2008: £132,446). This includes £31,543 (2008 : 30,684) outstanding contributions at the balance sheet date.

The contribution rate payable by the college was 14% of pensionable salaries.

Cambridge Colleges Federated Pension Scheme (CCFPS)

The College is a member of a multi-employer defined benefit scheme, the CCFPS, in the United Kingdom. The Scheme is a defined benefit final salary pension scheme that was originally set up, under an interim Trust Deed, on 19 July 1977 as a defined benefit scheme. 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).

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

The principal actuarial assumptions (expressed as weighted averages) were:

	2009 % p.a.	2008 % p.a.
Discount rate	6.2	6.7
Expected long-term rate of return on Scheme assets	6.0	6.6
Salary inflation assumption	4.5	6.4
Inflation assumption	3.5	3.9
Pension increases (inflation linked)	3.5	3.9

The underlying mortality assumption is based upon the standard table known as PA92 on a year of birth usage with medium cohort future improvement factors with the base table adjusted by a 20% uplift to reflect higher Scheme mortality rates than the standard tables. (2008 : PA92 on a year of birth usage with medium cohort improvement factors).

The assets in the Scheme as and the expected rate of return were:

	Long term rate of return expected at 30 June 2009	Value at 30 June 2009 £000	Long term rate of return expected at 30 June 2008	Value at 30 June 2008 £000
Equities and Hedge Funds	7.1%	1,651	7.5%	1,864
Cash and bonds	5.0%	1,724	5.4%	1,341
Property	6.1%	293	6.5%	410
Total		<u>3,668</u>		<u>3,615</u>

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

	2009 £000	2008 £000	2007 £000
Total value of assets	3,668	3,615	3,746
Present value of defined benefit obligation liabilities	<u>(5,079)</u>	<u>(4,744)</u>	<u>(4,411)</u>
Net pension liability	<u>(1,411)</u>	<u>(1,129)</u>	<u>(665)</u>

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

	2009 £000	2008 £000
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	4,744	4,411
Service cost (including Member contributions)	326	265
Interest cost	319	255
Actuarial losses/(gains)	(57)	79
Benefits paid	(253)	(266)
Closing defined benefit obligation	5,079	4,744
Changes in the fair value of the Scheme assets are as follows:	2009 £000	2008 £000
Opening fair value of Scheme assets	3,615	3,746
Expected return	239	246
Actuarial losses	(527)	(444)
Contributions by employer	520	262
Contributions by members (including AVCs)	74	70
Benefits and expenses paid	(253)	(265)
Closing fair value of assets	3,668	3,615
The amounts recognised in the income and expenditure account are as follows:	2009 £000	2008 £000
Current service cost (excluding Member contributions)	253	194
Interest on pension scheme liabilities	319	255
Expected return on pension scheme assets	(240)	(246)
Total	332	203
Actual return on Scheme assets	(286)	(198)

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

	2009 £000	2008 £000
Analysis of the amount recognised in the statement of Total Recognised Gains and Losses:		
Experience losses on the scheme liabilities	(229)	84
Changes in assumptions underlying the present value of scheme liabilities	286	(163)
Actuarial losses on scheme assets	(527)	(444)
Actuarial losses	(470)	(523)

Cumulative amount of actuarial gains and losses recognised in statement of total recognised gains and losses are as follows:

	2009 £000	2008 £000
Cumulative actuarial gain/(loss) at beginning of period	(340)	183
Recognised during the period	(470)	(523)
Cumulative actuarial loss at end of period	(810)	(340)

The movement in deficit during the year are as follows:

	2009 £000	2008 £000
Deficit in Scheme at beginning of year	(1,129)	(665)
Service cost (employer only)	(253)	(194)
Contributions paid by the College	520	262
Finance cost	(79)	(9)
Actuarial loss	(470)	(523)
Deficit in Scheme at the end of the year	(1,411)	(1,129)

Amounts for the current and previous 4 periods are as follows:	30 June 2009 £000	30 June 2008 £000	30 June 2007 £000	30 June 2006 £000	31 March 2005 £000
Defined benefit obligation	(5,079)	(4,744)	(4,411)	(4,123)	(3,581)
Plan Assets	3,668	3,615	3,746	3,227	2,678
Deficit	(1,411)	(1,129)	(665)	(896)	(903)

ST CATHARINE'S COLLEGE, CAMBRIDGE

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2009

18. Pension schemes (continued)

	30 June 2009 £000	30 June 2008 £000	30 June 2007 £000	30 June 2006 £000
Actual return less expected return on Scheme assets	(527)	(444)	(105)	(166)
Experience gain/(loss) arising on Scheme liabilities	(229)	84	(27)	(9)
Change in assumptions underlying present value of Scheme liabilities	286	163	104	(156)

Church of England Funded Pension Scheme

The St Catharine's College (Cambridge) participates in the Church of England Funded Pension Scheme and employs 1 member of the Scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the St Catharine's College (Cambridge) is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2006. This revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the following assumptions:

- An investment strategy of: a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years; and the balance of the assets in equities;
- Investment returns of 4.25% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends 4.6% pa; and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

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

Following the results of the valuation, and some agreed changes to benefits, St Catharine's College (Cambridge) contribution rate decreased from 39.8% to 39.7% of pensionable stipends with effect from 1 April 2008.

19. 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 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.

No disclosure of transactions with St Catharine's College Development Limited has been made as those financial statement at 30 June 2009 have been consolidated.