

Charity Registration No: 1137471

HUGHES HALL

**RECOMMENDED CAMBRIDGE
COLLEGE ACCOUNTS**

FOR THE YEAR ENDED

31 JULY 2012

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2012

The College

The College owes its origins to the Cambridge Training College for Women founded in 1885 which was subsequently incorporated under the Companies Acts and changed its name to the Elizabeth Phillips Hughes Hall Company on 1 October 1950. It continued to admit only women training to become teachers until 1968 when it admitted other women graduates and, in that same year, became an Approved Society in the University. In 1973 it admitted its first male students and in 1985 became an Approved Foundation of the University. It petitioned for the grant of a Charter of Incorporation which was given under the title of 'The President and Fellows of Hughes Hall in the University of Cambridge' in July 2006; it is now known as 'Hughes Hall' and is one of 31 self-governing colleges within the University of Cambridge.

It is registered with the Charity Commission (Registered No. 1137471).

Objectives

The objectives of the College are to:

- Endow, maintain and carry on a College in Cambridge for graduates and for mature-age students qualified to be matriculated in the University of Cambridge.
- Promote education, learning and research in the University of Cambridge and elsewhere.

Public Benefit

The College aims to attract students from a wide range of backgrounds, both home and overseas, graduate, undergraduate and affiliated; all are of mature age.

In terms of Access Students, the University maintains a target figure of 61-63%. In 2011, 85.7% of all applications to Hughes Hall were from the maintained sector (compared with 65.2% for the University as a whole) and 77.8% of successful applicants (compared with 58.8% for the University as a whole).

It would be not be cost effective for the College to run an outreach programme on its own (as students are accepted from all regions of the United Kingdom) and there are currently students from about 60 different nations within the College undertaking a wide range of courses.

Administration of the College

Governing Body

The Governing Body, comprising the President and Fellows, is responsible for the governance of the College; it meets formally once or twice per term and on other occasions if necessary. The President and Fellows are accountable to the Governing Body and are the trustees.

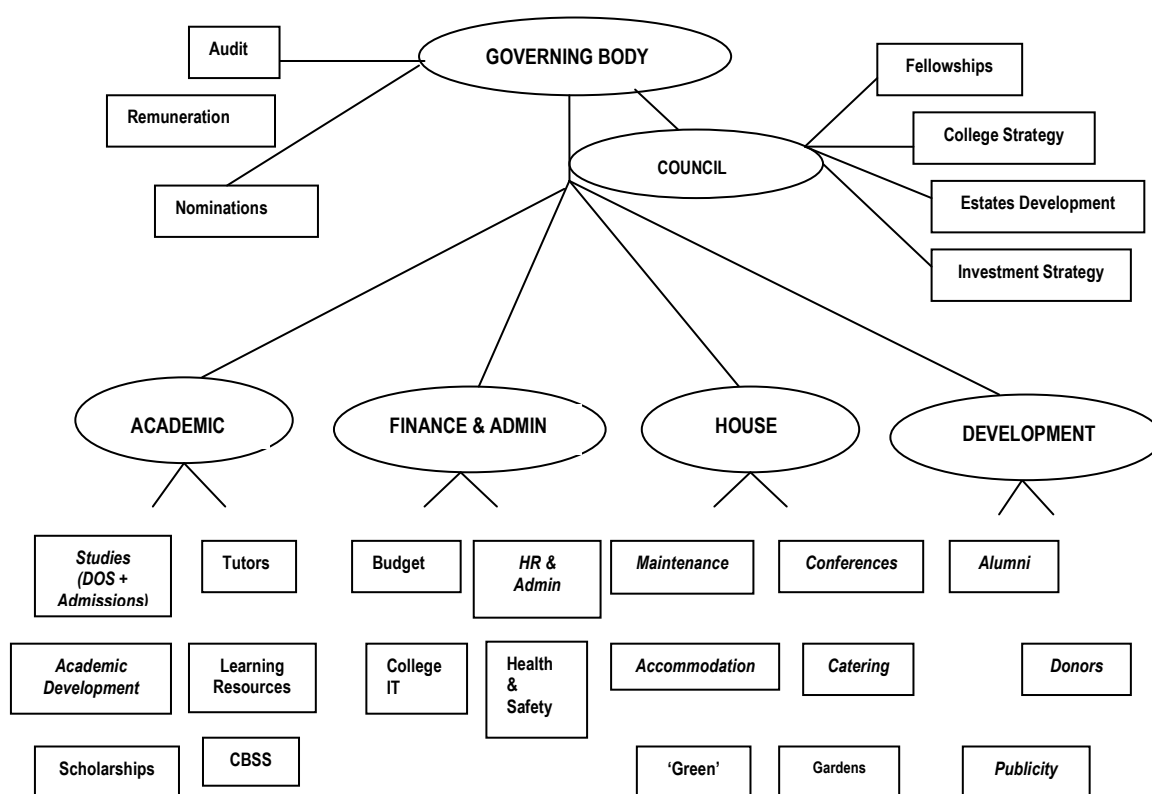
All Fellows are elected by the Governing Body to a Fellowship in one of six classes and, unless they have served as the trustee of a charity previously, are required to undergo training which is administered by the College; the training comprises a written briefing with an accompanying CD and a recorded delivery of a PowerPoint presentation. In addition, they are given a copy of the Statutes and Ordinances on appointment, a note drawing attention to the policy of the College for the management of conflicts of interest, and a copy of Charity Commission Leaflet CC3a.

Members of the Governing Body are expected to act in accordance with the Nolan Principles for those in public life. In accordance with Charity Commission rules they are required to manage the affairs of the College prudently.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

Although the College is a legally autonomous body it exists within the federal structure of the University. Matters of concern to all colleges are discussed and enacted through a system of University-wide committees including the Colleges' Committee of which all Heads of House are members, the Senior Tutors' Committee which is chaired by the Vice Chancellor and the Bursars' Committee. Representatives of the Senior Tutors and Bursars sit on each other's committees and on the Colleges' Committee. The committees aim to build consensus though their decisions are not constitutionally binding.

On a one year trial basis initially starting in October 2011 a revised, more formal internal Committee structure has been set up as follows, although all of the functions previously existed. The trial has been extended for a second year. The following diagram shows the trial revised structure. N.B. Roman type indicates committees, italic indicates areas of responsibility.



REVISED COMMITTEE STRUCTURE

Under the trial scheme reporting to the Governing Body is an Audit Committee, a Remuneration Committee and a Nominations Committee.

College Council

The College Council comprises the President, Vice President, Pro-Vice-President, Deputy Vice-President, Senior Tutor, Bursar, Development Director and eight other members of the Governing Body (the latter each elected by the Governing Body for periods of three years). The President and Secretary of the Middle Common Room (MCR) attend for Unreserved Business if in residence (otherwise another member of the MCR Committee is appointed to serve in their stead). It meets formally twice per term and on other occasions if necessary. The College Council is responsible to the Governing Body for all matters relating to the administration of the College.

Reporting to the College Council is a Strategy Committee, a Fellowships Committee, an Estates Committee, an Investments Committee, and a Complaints Panel.

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

Academic Committee

An Academic Committee meets termly and reporting to the Committee is a Scholarships Committee, a Learning Resources Committee, and the CBSS Management Committee.

Finance and Administration Committee

The Finance and Administration Committee meets termly and reporting to the Committee is the Budget Committee, Administrative IT Committee and Health and Safety at Work Committee.

House Committee

The House Committee meets termly and the 'Green' Committee and Gardens Committee report.

Development Committee

The Development Committee meets termly.

Trustees

Head of House Squire, Mrs Sarah (President) *

Fellows

Affara, Professor Nabeel A*	Melville, Dr Sara E (Acting Deputy Vice-President, Mmas Term 2011) *
Barker, Dr John H	Mercer, Professor Neil M (Pro-Vice-President)*
Barrett, Professor Michael	Nuttall, Dr William J
Bayer, Dr Bernhard C	Palmer, Dr Christopher R
Bhave, Dr Amit	Parlikad, Dr Ajith
Blamire, Professor Mark G (Deputy Vice-President)*	Peacock, Mr Ian R
Bonaccorso, Dr Francesco	Phippen, Mr Mark
Bostanci, Dr Adam W S	Piccirillo, Dr Sara G M
Britton, Mr Peter	Powell, Professor Jonathan*
Buckley, Professor Mary	Rawlings, Mr John B
Burton, Dr Hilary*	Ruthven, Professor Kenneth B H
Charnley, Mr William F	Sargent, Dr Carole A*
Devereux, Dr Bernard J (Vice-President)*	Seth-Smith, Dr Helena
Dickinson, Professor Anthony	Siklos, Dr Paul W L
Durrell, Dr John*	Singal, Dr Nidhi (Acting Pro-Vice President, Easter Term 2012) *
Franklin, Dr Michael J (Praelector)*	Stefflova, Dr Klara
Freeling, Dr Anthony	Taylor, Mr Jonathan (Development Director)*
Gronn, Professor Peter	Taylor, Mr Neil E (Bursar)*
Hodge, Professor Ian D*	Taylor, Mr Roger
Jeffrey, Mr Richard	Toner, Dr Jeremy P
John, Dr Stephen	Turin, Dr Mark
Johnston, Dr Philip (Senior Tutor)*	Wakeford, Mr Richard E
Kaufman, Professor James F	Weller, Professor Marc
Kumar, Dr Chetan	White, Dr Jessica
Lambert, Dr Jean F	Zimmern, Dr Ronald L*
Lemons, Mr Anthony D*	
Lockhart, Dr Alastair S	
Long, Dr Grainne	
Marteau, Professor Theresa	

Those members of the Governing Body marked * (together with the student President and Secretary of the Middle Common Room) are members of the College Council.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

Advisers

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

Solicitors Ashton KCJ
Chequers House
77-81 Newmarket Road
Cambridge
CB5 8EU

Taylor Vinters
Merlin Place
Milton Road
Cambridge
CB4 0DP

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

Bankers HSBC Bank plc
Vitrum
St John's Innovation Park
Cambridge
CB4 0DS

Allied Irish Bank (GB)
The Manor House
High Street
Wanstead
London
E11 2RL

Fund Managers Cazenove Fund Management Ltd
12 Moorgate
London
EC2R 6DA

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

Academic Report

As an academic institution, the primary purpose of Hughes Hall is to provide a first class physical and academic environment for its students. As a college of Cambridge University, it does not itself provide lecturing, assessment, or certification, although it does provide supervision for undergraduate courses and Directors of Studies for these and some postgraduate courses. However, Hughes Hall provides all the other aspects of a good academic environment: accommodation, dining, tutorial support and academic community.

Student Numbers

Figures for all fee-paying students in mid-year (Jan 2012) were as follows. Note that 'fee-paying' does not include students who are intermitting or beyond their official end-term (e.g. PhD writing up).

	Full-time	Subject	No.	Part-time	Subject	No.
<i>Undergraduate</i>	BA	Various	67			
	CGCM	Medicine	29			
1-yr Graduate	MPhil	Various	127	MSt	Religion	3
	PGCE	Education	42	Med	Education	20
	MBA & MFin	Business	49	Exec MBA	Business	16
	LLM	Law	17			
	MASt	Maths/Physics	8			
	Other	Various	9			
PhD	PhD	Various	145	PhD	Various	7
Totals			493			46

These figures show that over half our full-time students (252/493) are on 1-year courses, although a number of such students continue on to PhDs.

Financial Support

Hughes Hall has several funds to assist students with financial support:

Scholarships and Bursaries

This fund is administered by the Academic Committee and awards are made on academic merit requesting, in return, a contribution to college life. This fund also makes a college contribution to recipients of Cambridge Bursaries. In 2011-12, one ongoing and two new scholarships were made, and two ongoing and two new bursaries were awarded, with a total spend of c. £40,000.

Travel Fund

A travel fund is administered by the Senior Tutor on behalf of, and in consultation with the tutorial team, with awards of up to £250 per student per year. This is mostly for students doing PhD research or a CGCM elective, and is very occasionally offered to others for whom travel is a requirement of the course. In 2011-12, awards were made to 54 students, totalling £14,312.

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

President's Discretionary Fund and Senior Tutor's Innominate Fund

These funds are for specific needs as determined by the relevant officer. The budget for each fund is £10 per full time student which is drawn from College Fees. In 2011-12, the amounts spent were £5,180 and £4,951 respectively.

Community Life

The main strength of the Cambridge collegiate system is that it provides not only residence and dining facilities but also a genuine thriving academic and cultural life. Here aspiring scholars can mix with others from different disciplines, both students and fellows, and develop their minds through stimulus and challenge. In 2011-12 events in College included:

- 'Hat Club': fortnightly presentations by students and Fellows, organised by the student body.
- Margaret Wileman Music Society concerts.
- Hughes Hall Medical Lecture.
- Hughes Hall City Lecture.
- Centre for Biomedical Science in Society guest lecturers.
- Kathleen Hughes Memorial Lecture (in co-operation with Dept of Anglo-Saxon, Norse & Celtic).
- Hughes Hall third Academic Evening, organised by the student body.

In addition, the College actively encourages the student body in many of its activities, in terms of help with organisation, publicity and costs.

It also provides special dinners for invited students and guests:

- Five Matriculation Dinners (one paid by a benefactor).
- Medical Dinner and Law Dinner (paid by benefactors).
- City Dinner.
- Scholars' Dinner, for college scholars and prize-winners.
- PhD Dinner for students and supervisors.
- Completion Dinner and Graduation Dinner.

Tutorial Support

In 2011-12 Hughes Hall had 9 tutors, each with responsibility for approximately 60 full-time students. Tutors see undergraduates every term, and graduates at the start of their course and then on request. Tutors are an important source of support, both for regular matters like grant applications, and for occasional difficulties, whether personal, financial, or academic.

The tutors meet fortnightly in term-time, and discuss general issues relating to the student body, and any individual issues where their collective wisdom can be of benefit. The tutorial team acts in strict confidence, as is appropriate.

In addition, tutors read termly supervision reports for their students. Tutors then follow up any issues raised.

The tutors are ably complemented by the hard work of the President and Committee Members of the student body, or MCR, and place on record their appreciation of the role played by these student leaders.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

Computer Support

The College is currently reviewing IT infrastructure during a rationalisation and consolidation process to reduce management overhead and improve user experience. In parallel to this a review is being undertaken to improve the security of the administrative IT functions and also separate out the student IT provision. In the medium term the IT infrastructure will be upgraded further to add additional resilience and reduce whole life-cycle costs where possible with the introduction of shared storage and virtualisation technologies.

Sport

There are several college sports clubs, and a number of students participate in university teams. Hughes Hall supports the college boats, and individual students in university clubs. As often, in 2011-12 Hughes Hall was well represented in the two best known sports, with members of the Rugby team and President of the Boat Club, plus two other oarsman and cox in the Blues boat.

Financial Review

Income and Expenditure

The Income and Expenditure account for the College over the last 5 years is shown below:

Year ended 31 July	2012	2011	2010	2009	2008
	£	£	£	£	£
Income					
Academic Fees	1,501,660	1,486,641	1,368,412	1,304,475	1,434,422
Residences, catering and conferences	1,824,945	1,705,529	1,644,751	1,627,299	440,973
Endowment income and donations	197,009	525,036	192,529	273,291	33,221
Other income	55,096	52,196	38,802	40,601	1,102,514
Total Income	3,578,710	3,769,402	3,244,494	3,245,666	3,011,130
Expenditure					
Education	1,529,654	1,519,220	1,373,986	1,417,582	1,278,556
Residences, catering and conferences	1,874,372	1,672,224	1,585,509	1,491,528	1,228,953
Other	25,617	12,962	13,528	14,946	16,582
Total expenditure	3,429,643	3,204,406	2,973,023	2,924,056	2,524,091
Operating Surplus for the year	149,067	564,996	271,471	321,610	487,039
Contribution under Statute G,II	0	0	0	0	0
	149,067	564,996	271,471	321,610	487,039
Transfer to Accumulated Income Within Restricted Capital	(186,808)	(311,967)	(29,656)	(18,027)	(91,395)
Net (deficit)/surplus after transfer to accumulated income	(37,741)	253,029	241,815	303,583	395,644
Add back: depreciation	277,859	282,497	284,809	288,793	273,326
Net surplus before depreciation	240,118	535,526	526,624	592,376	668,970

The year was challenging mirroring the global financial situation. Despite increased student numbers, overall income was reduced as a result of weak investment income and donations while College expenditure increased. As a result, there was a reduced operating surplus and, after making appropriate provision for depreciation, a net loss for the year. However, its General Reserves are over £6 million and its Investments totaled over £9.6 million; Endowment interest is re-invested for growth while a dividend is taken from an Amalgamated Fund each year for College support to students experiencing hardship, for scholarships and bursaries and research fellows. The insured value of freehold land and building was £35.3 million.

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

Funding

Academic Fees

Academic fees consist of the college fee and grants to support teaching and research. Of these, the most significant is the fee paid to the College on behalf of the students by the University from its HEFCE grant towards the cost of admitting and supervising publicly-funded undergraduates and providing tutorial support, social and recreational facilities. In 2011-12 this payment amounted to £328,066 which equated to 25% of total income for 100 students including publicly-funded undergraduates, PGCE students and clinical medical students. The College received £3,951 for each publicly-funded undergraduate and set a fee of £4,620 for those privately funded.

The Colleges' Fund

The College received a grant of £531,000 towards the College's Endowment; this has been added to existing funds managed by the Fund Managers, Cazenove Capital.

Remuneration

The Remuneration Committee is required by the Governing Body to make recommendations on the level of remuneration and other direct and indirect benefits of the President, Fellows and College Officers of Hughes Hall, and to have oversight of the overall processes used to determine all other salaries within the College. The Committee made its first report to the Governing Body in the Michaelmas Term 2011.

Development and Fundraising

The College continues to enhance its activities in respect of Alumni Relations, broader development activities and fundraising, with the objective of benefiting all students of the College and the wider collegiate academic community.

To assist with these initiatives the staffing of the Alumni Relations and Development Office has been increased to the level envisaged in its Development Plan, i.e. to 4 FTE staff enabling additional alumni relations outreach and fundraising activities.

The College continues to seek to engage with its alumni through a range of communications channels. The College newsletter *News from Hughes* is sent twice a year to around 4,800 alumni globally. An e-bulletin is sent at least termly to all alumni with known e-mail addresses and additional communications are sent to notify alumni of events relevant to their locality or subject. Alumni are invited to College events and some act as advisors or mentors to students via College societies such as the Hughes Hall Business Society and the Law Society. We continue to seek to identify and contact those alumni whose addresses and details are no longer known to the College and have expanded our social media initiatives on LinkedIn, Facebook and Twitter to engage with these and also with more recent graduates from the College. This year we have set up vehicle for tax efficient giving for our supporters in Hong Kong and made visits to alumni in both Hong Kong and the United States, where we continue to work through Cambridge in America to communicate and reach out to our US alumni.

A series of dinners and lectures in the core areas of the College's academic activities are held annually. The dinners form an opportunity for students, Fellows and Alumni of the College to meet with other guests from academia and the business world. Several of these events are generously sponsored by donors, including the Ogden Matriculation Dinner (Education), the Zimmern Medical Lecture and Dinner, and the Charnley Law Dinner. In addition, several events ranging from academic presentations to concert performances were held during the year and attended by a diverse group of alumni, along with social events such as London Drinks and our Summer Reception.

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

In December 2011 the College undertook its second phone campaign raising further funds were raised for the 125th Anniversary Scholarships and Bursaries Fund and other purposes. A donor roll listing those supporters who had given to the College during the last year was published with *News from Hughes* in Easter Term.

The College's history, written by Professor Ged Martin and published in December 2011, received an award from the Cambridgeshire Association for Local History.

Conferences

The College attracts modest conference activity which generates a positive cash surplus. This contributes to the overall operating surplus. There has been a move, within the last couple of years, to expand our residential conferencing during the summer Long Vacation. In addition to the long-standing arrangements with Carleton College and TWCU, we are targeting smaller, one-off conferences. We have also opened up our accommodation to Alumni and others with a connection to the College during July, August and September and this has generated significant income for the College and is a source of tax revenue for HMRC.

Investments

The College holds investments in an Endowment Fund and an Amalgamated Fund which are managed by its Fund Managers. The portfolio of the former is managed on a total return basis; no specific income requirements have been stipulated and dividends on all assets are reinvested for growth. The investment objective for the latter is to maintain the income and capital value of the assets in real terms into perpetuity with the emphasis on a growing income stream to enable financial support to be given to research fellows, students in need of support, and bursaries.

The Funds' Managers maintain a Socially Responsible Investment policy which includes conducting research into the social, environmental, ethical and corporate governance stance of the companies selected for investment.

Cash Flow

Given the College's modest income and resources, it is considered important to generate an operating surplus each year on its activities which necessarily constrains some of its ambitions. It operates with a minimal number of staff and focuses on supporting the student body by providing excellent pastoral and learning support, accommodation, meals and recreational facilities.

Reserves

Capital and reserves as at 31 July 2012 stood at £24,528,352 an increase of £674,002 on the previous year. The College currently has no formal reserves policy.

Risk Management

The Governing Body has previously approved a comprehensive Risk Assessment and maintains a Risk Register which is reviewed annually. Although steps are taken to minimise risk and the College is insured, some problems can, and do, occur which can be expensive to rectify. Similarly, the College is constrained to some extent because:

- Its primary sources of income are the College Fee, student rental income, and modest conference income.
- Its Endowment is small in comparison with other Colleges of the University and it has adopted a policy of re-investing income from the Endowment for growth.
- In the present economic climate the ability to raise endowments and to attract donations is difficult.

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

The Governing Body recognises that it cannot rely on the Colleges' Fund to continue making annual contributions to its invested Endowment indefinitely and adopts prudent financial management in all its activities.

The Environment

The College complies fully with environmental legislation and officially approved codes of practice. A 'Green' Committee reports to the Governing Body through the House Committee to monitor compliance and to prompt further initiatives.

- The aim is to reduce gross energy consumption by 20% over five years (effective start date was 1 April 2010) based on consumption figures for 2008-09.
- A 33kW photo-voltaic array has been installed on the Fenner's Building.
- It has installed additional metering to provide data on energy consumption.
- It is working towards implementing a strict recycling policy. The College will be moving to mixed-waste recycling in October 2012.
- A survey of all buildings has been carried out to assess energy efficiency; a programme of remedial action is in hand.
- New, more efficient boilers have been installed in both Wollaston Lodges and the Margaret Wileman Building in the last two years.
- A number of windows in the Margaret Wileman Building have been upgraded to improve draught-proofing. There is a plan in place to upgrade the remaining windows in this building over the next few years.

Assets Held on Behalf of Other Charities

The College holds, on loan from the Fitzwilliam Museum, a copy of a painting of a Game Market by Frans Snyders 1610, one of the foremost Flemish still life painters, the original of which was once in the collection of Robert Walpole (England's first PM) at Houghton Hall, Norfolk. It is insured by the College for a sum agreed with the Director.

Strategic Plan and Outlook

A review of the College's strategy is in progress, with the engagement of the Trustees and other stakeholders.

The Governing Body continues actively to examine ways of increasing its stock of student rooms and discussions have been held on the most cost effective means of financing the necessary expansion in student accommodation.

The College is heavily dependent on student numbers and there is the possibility that national and international student numbers could reduce as the impact of fee increases and immigration issues take effect.

The decision to protect the Endowment Fund has been taken to provide a cushion against such potential revenue loss. Although investment return has been reasonable, it is unlikely to grow significantly for the foreseeable future.

The Amalgamated Fund managers have been set target return on Investments of 5%. It is intended to draw down 3% of the return from within each of the Research Fellows, Bursaries and Student Support elements to subsidize research fellows, assist students in genuine hardship and offer travel grants and bursaries.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

Capital Programme

Buildings

Year	Location	No. of Student Rooms
1896	Margaret Wileman Building	38
	Wollaston Lodges	23
1992	Chancellor's Court	35
1995	Centenary Building	33
	College Houses	59
2004	Fenners Building	77
TOTAL		265 single + 6 double

Restoration and Major Refurbishment

Year	Location	No. of Student Rooms
2007	Margaret Wileman Building	38
2009-10	College Houses	59
2010	Wollaston Lodges	23

Proper maintenance of the buildings, which have an insured value of £35,335,092 is an essential investment in the College's future. For the past decade, a rolling programme of maintenance and refurbishment has been instituted to bring the buildings up to modern standards. All College Rooms meet the Houses in Multiple Occupancy standards and 45% are en-suite. As a priority, ways are being examined to provide more College- owned student accommodation within the available resources.

RESPONSIBILITIES OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2012

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 these 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; 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 accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF
HUGHES HALL
FOR THE YEAR ENDED 31 JULY 2012**

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

This report is made solely to the College's Governing Body, as a body, in accordance with the College's Statutes and the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and Auditors

The Governing Body's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (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 in 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF
HUGHES HALL (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012**

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the College's affairs as at 31 July 2012 and of its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the College's Statutes and the Statutes of the University of Cambridge;
- the information given in the Report of the Trustees is consistent with the financial statements; and
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

Price Bailey LLP

**Chartered Accountants
Statutory Auditors**

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

Dated: 13 November 2012

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 JULY 2012

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 7.

Basis of accounting

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

Consolidation

The College and its subsidiary undertaking comprise a small sized group. The College has taken advantage of the exemption given by Financial Reporting Standard Number 2 not to prepare group financial statements and therefore these financial statements are those of an individual undertaking.

Recognition of income

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

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

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

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 receivable and includes all fees chargeable to students for their sponsors.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

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

In addition, the College participates in the Cambridge Colleges Federated Pension Scheme, a defined benefit scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the Scheme and are accounted for on the basis of providing pensions over the period during which the College benefits from the employees' services.

The College also operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the College. The annual contributions payable are charged to the Income and Expenditure Account.

Tangible fixed assets

a. Land and buildings

The original part of the main College site is stated at valuation as at 31 July 1985. Other land and buildings are stated at cost. Where buildings have been revalued, they are valued using open market value basis. The valuation was carried out by Messrs Heap and Rodgers, Chartered Surveyors. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 70 years. Depreciation is calculated on the cost/valuation of both land and buildings but the land element is not considered material.

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related beneficiaries are credited to expendable capital.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

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

b. Maintenance of premises

The cost of major refurbishment is capitalised and depreciated over the 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 costing less than £2,000 per individual item or group of related items is written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	20% per annum on the straight line basis
Kitchen equipment	12½% per annum on the straight line basis

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

Tangible fixed assets (continued)

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.

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.

Stocks

Stocks of provisions and cleaning materials 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.

Taxation

The College is a registered charity (number 1137471).

The College is also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

Contribution under Statute G,II

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

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2012

	Note	2012 £	2011 £
Income			
Academic fees and charges	1	1,501,660	1,486,641
Residences, catering and conferences	2	1,824,945	1,705,529
Investment income	3	191,835	189,672
Donations and beneficiaries	4	5,174	335,364
Other income		55,096	52,196
Total income		<u>3,578,710</u>	<u>3,769,402</u>
Expenditure			
Education	5	1,529,654	1,519,220
Residences, catering and conferences	6	1,874,372	1,672,224
Other		25,617	12,962
Total expenditure	7	<u>3,429,643</u>	<u>3,204,406</u>
Operating surplus		149,067	564,996
Transfer to accumulated income within restricted expendable capital (unspent income for the year from Trust Funds carried forward)		186,808	311,967
(DEFICIT)/SURPLUS FOR THE YEAR		<u>(37,741)</u>	<u>253,029</u>

All of the above results derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2012

	Note	Restricted Funds Collegiate Purposes £	Unrestricted Funds £	Total 2012 £	Total 2011 £
Balance as at start of year		1,277,712	22,576,638	23,854,350	22,260,597
Retained (deficit)/surplus for the year		-	(37,741)	(37,741)	253,029
Unrealised gains/(losses) on investments	9	52,723	(66,013)	(13,290)	539,767
Spent trust or other restricted fund income retained by funds		186,808	-	186,808	311,967
Capital grant received from College Fund		-	561,000	561,000	449,000
Miscellaneous capital receipts		-	29,354	29,354	-
Restricted permanent capital receipts		45,949	-	45,949	-
Restricted permanent capital payments		(6,769)	-	(6,769)	-
Actuarial gains/(losses) on pension scheme assets and liabilities		-	(91,309)	(91,309)	39,990
Total recognised gains/(losses) for the year		<u>278,711</u>	<u>395,291</u>	<u>674,002</u>	<u>1,593,753</u>
Balance as at end of year	14	<u><u>1,556,423</u></u>	<u><u>22,971,929</u></u>	<u><u>24,528,352</u></u>	<u><u>23,854,350</u></u>

BALANCE SHEET
AS AT 31 JULY 2012

	Note	2012 £	2011 £		
Fixed assets					
Tangible assets	8	16,924,992	17,098,001		
Investments	9	9,641,569	8,258,751		
		<u>26,566,561</u>	<u>25,356,752</u>		
CURRENT ASSETS					
Stock		15,301	13,226		
Debtors	10	117,835	135,375		
Cash	11	322,027	1,042,366		
		<u>455,163</u>	<u>1,190,967</u>		
Creditors: amounts falling due within one year	12	<u>(621,591)</u>	<u>(842,460)</u>		
Net current (liabilities)/assets		<u>(166,428)</u>	<u>348,507</u>		
Total assets less current liabilities		<u>26,400,133</u>	<u>25,705,259</u>		
Creditors: amounts falling due after more than one year	13	<u>(1,759,236)</u>	<u>(1,828,555)</u>		
Net assets excluding pension liabilities/asset		<u>24,640,897</u>	<u>23,876,704</u>		
Pension liability	17	<u>(112,545)</u>	<u>(22,354)</u>		
NET ASSETS including pension liability		<u><u>24,528,352</u></u>	<u><u>23,854,350</u></u>		
Represented by					
	Note	Restricted funds 2012 £	Unrestricted funds 2012 £	Total 2012 £	As restated Total 2011 £
Deferred capital grants		-	-	-	-
Endowments					
Expendable endowments	14	204,330	-	204,330	135,058
Permanent endowments	14	1,352,091	-	1,352,091	1,142,654
Reserves					
Operational property reserve		-	16,894,222	16,894,222	17,049,010
General reserves		-	6,077,709	6,077,709	5,527,628
		<u>-</u>	<u>16,894,222</u>	<u>16,894,222</u>	<u>17,049,010</u>
Balance as at 31 July 2012	14	<u><u>1,556,421</u></u>	<u><u>22,971,931</u></u>	<u><u>24,528,352</u></u>	<u><u>23,854,350</u></u>

BALANCE SHEET (continued)

AS AT 31 JULY 2012

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

The accounts on pages 23 to 39 were approved by the Governing Body on 24 October 2012 and signed on their behalf by:

Professor M G Blamire
Member of College Council and Governing Body

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2012

	2012 £	2011 £
A. Operating Activities		
Net (deficit)/surplus	(37,141)	253,029
Depreciation	277,859	282,497
Investment income	(191,835)	(189,672)
Interest payable	105,867	108,857
Movement in pension surplus/deficit	(1,118)	(7,697)
(Increase)/decrease in stocks	(2,075)	900
(Increase)/decrease in debtors	17,540	(38,667)
(Decrease)/increase in creditors	(396,056)	(619,152)
Net cash (outflow)/inflow from operating activities	<u>(227,559)</u>	<u>(209,905)</u>
B. Returns on Investment and Servicing of Finance		
Unspent trust income	186,808	311,967
Investment income	191,835	189,672
Net cash inflow from returns on investment and servicing of finance	<u>378,643</u>	<u>501,639</u>
C. Capital Transactions and Financial Investment		
Payments to acquire tangible fixed assets	(104,850)	(558,423)
Payments to acquire investment assets	(1,789,356)	(1,373,639)
Total capital expenditure	<u>(1,894,206)</u>	<u>(1,932,062)</u>
Receipts from sale of investment assets	393,248	726,853
Capital grant received from Colleges Fund	561,000	449,000
Benefactions and donations received	68,535	-
Total capital receipts	<u>1,022,783</u>	<u>1,175,853</u>
Net cash (outflow) from capital transactions	(871,423)	(756,209)
Increase/ (decrease) in cash	<u>(720,339)</u>	<u>(464,475)</u>

CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 JULY 2012

	2012	2011
	£	£
D. Reconciliation of Net Cash Flow to Movement in Net Debt		
Increase/ (decrease) in cash in the period	(720,339)	(464,475)
(Increase)/ decrease in debt in the period	65,264	62,272
	<hr/>	<hr/>
	(655,075)	(402,203)
Net funds/(debt) at 1 August 2011	(851,453)	(449,250)
	<hr/>	<hr/>
Net debt at 31 July 2012	<u>(1,506,528)</u>	<u>(851,453)</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2012**

1. Academic fees and charges

	2012	2011
	£	£
College Fees		
Fee income paid on behalf of undergraduates eligible for student support		
Undergraduate rate (per capita fee £3,951)	126,432	
PGCE (per capita £2,289)	91,560	
Graduate medical (per capita £3,951)	110,268	
	<hr/>	
	328,260	324,243
Other undergraduates fee income		
Overseas (per capita fee £4,620)	124,740	
Privately funded UK and EU (per capita £4,620)	69,300	
	<hr/>	
	194,040	210,936
Graduates fee income		
Graduates (per capita £2,289)	795,352	
M Ed students (per capita £458)	9,618	
Other	24,390	
	<hr/>	
	829,360	801,462
	<hr/>	
	1,351,660	1,336,641
Other		
Grant from PHG foundation	150,000	150,000
	<hr/>	
Total	1,501,660	1,486,641
	<hr/> <hr/>	<hr/> <hr/>

2. Residences, catering and conference income

	2012	2011
	£	£
Residential accommodation		
College members	1,316,777	1,240,519
Conferences (including meeting rooms)	101,790	98,178
Catering		
College Members and staff	356,935	332,611
Conferences	49,443	34,221
	<hr/>	
Total	1,824,945	1,705,529
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

3. Investment income

	2012 Income from restricted funds for collegiate purposes £	2012 Income from unrestricted funds £	Total 2012 £	Total 2011 £
Income from:				
Freehold land and buildings	-	29,411	29,411	23,524
Unit trusts	74,471	81,833	156,304	146,379
Cash	1,620	4,500	6,120	19,769
	<u>76,091</u>	<u>115,744</u>	<u>191,835</u>	<u>189,672</u>

Investment management costs:

	2012 £	2011 £
Income from:		
Unit trusts	11,425	9,908
Cash	447	1,338
	<u>11,872</u>	<u>11,246</u>

4. Donations

	2012 £	2011 £
Unrestricted donations	5,174	23,397
Restricted donations	-	311,967
	<u>5,174</u>	<u>335,364</u>

5. Education expenditure

	2012 £	2011 £
Teaching	943,416	914,333
Tutorial	219,501	200,736
Admissions	123,838	110,280
Research	81,140	162,235
Scholarships and awards	60,011	35,950
Other educational facilities	101,748	95,686
	<u>1,529,654</u>	<u>1,519,220</u>
Total (Note 6)	<u>1,529,654</u>	<u>1,519,220</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

6. Residences, catering and conferences expenditure

		2012	2011
		£	£
Accommodation	College members	1,299,236	1,132,012
	Conferences (including meeting rooms)	109,303	95,234
Catering	College Members and staff	429,684	410,447
	Conferences	36,149	34,531
		<u>1,874,372</u>	<u>1,672,224</u>
Total (Note 7)		<u><u>1,874,372</u></u>	<u><u>1,672,224</u></u>

7a. Analysis of 2012 expenditure by activity

	Staff costs	Other	Depreciation	Total
	(Note 16)	Operating		
	£	Expenses	£	£
		£		
Education (Note 5)	807,970	721,684	-	1,529,654
Residences, catering and conferences (Note 6)	603,807	992,706	277,859	1,874,372
Other	-	25,617	-	25,617
	<u>1,411,777</u>	<u>1,740,007</u>	<u>277,859</u>	<u>3,429,643</u>
Total	<u><u>1,411,777</u></u>	<u><u>1,740,007</u></u>	<u><u>277,859</u></u>	<u><u>3,429,643</u></u>

7b. Analysis of 2011 expenditure by activity

	Staff costs	Other	Depreciation	Total
	(Note 16)	Operating		
	£	Expenses	£	£
		£		
Education (Note 5)	858,655	660,565	-	1,519,220
Residences, catering and conferences (Note 6)	441,014	948,712	282,498	1,672,224
Other	-	12,962	-	12,962
	<u>1,299,669</u>	<u>1,622,239</u>	<u>282,498</u>	<u>3,204,406</u>
Total	<u><u>1,299,669</u></u>	<u><u>1,622,239</u></u>	<u><u>282,498</u></u>	<u><u>3,204,406</u></u>

Fundraising costs amounted to £195,629 (2011: £202,631)

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

8. Tangible assets

	Freehold land and buildings £	Fixtures and fittings £	Kitchen equipment £	Total £
Cost/valuation				
At 1 August 2011	18,744,960	735,468	15,489	19,495,917
Additions	100,142	4,708	-	104,850
At 31 July 2012	<u>18,845,102</u>	<u>740,176</u>	<u>15,489</u>	<u>19,600,767</u>
Accumulated depreciation				
At 1 August 2011	1,695,950	686,477	15,489	2,397,916
Charge for the year	254,930	22,929	-	277,859
At 31 July 2012	<u>1,950,880</u>	<u>709,406</u>	<u>15,489</u>	<u>2,675,775</u>
Net book value				
At 31 July 2012	<u><u>16,894,222</u></u>	<u><u>30,770</u></u>	<u><u>-</u></u>	<u><u>16,924,992</u></u>
At 31 July 2011	<u><u>17,049,010</u></u>	<u><u>48,991</u></u>	<u><u>-</u></u>	<u><u>17,098,001</u></u>

The insured value of freehold land and buildings as at 31 July 2012 was £35,335,092 (2011: £33,567,434)

The College's original freehold property was revalued on 31 July 1985 by Messrs Heap and Rodgers, Chartered Surveyors using open market value basis in accordance with the guidelines issued by the Royal Institute of Chartered Surveyors, at £2,300,000. The historical cost of the property at that date was £98,082.

The College has adopted the transitional provisions of Financial Reporting Standard Number 15 in respect of revaluation policy of freehold land and buildings. Accordingly, the revaluation has not been updated. A full impairment review of the assets concerned has been carried out and in the opinion of the Governing Body the market values of freehold land and buildings are not lower than their carrying values.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

9. Investments

	2012 £	2011 £
As at 1 August 2011	8,258,751	7,072,158
Additions	1,789,356	1,373,679
Disposals	(393,248)	(726,853)
(Diminution)/appreciation on revaluation	(13,290)	539,767
As at 31 July 2012	<u>9,641,569</u>	<u>8,258,751</u>
Represented by:		
Quoted securities	8,262,715	6,969,337
Cash	1,378,854	1,289,414
	<u>9,641,569</u>	<u>8,258,751</u>

10. Debtors

	2012 £	2011 £
Trade debtors	54,604	89,697
Amount due from subsidiary undertaking	17,465	22,173
Other debtors	45,766	23,505
Total	<u>117,835</u>	<u>135,375</u>

11. Cash

	2012 £	2011 £
Bank deposits	247,470	1,022,478
Current accounts	74,315	19,631
Cash in hand	242	257
Total	<u>322,027</u>	<u>1,042,366</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

12. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank loans and overdrafts	69,319	65,263
Trade creditors	138,372	138,428
Student prepayments	49,487	47,987
Other creditors	30,087	30,087
Other taxes and social security	6,680	13,709
Accruals	29,697	33,200
Deferred income	297,949	513,786
	<hr/>	<hr/>
Total	<u>621,591</u>	<u>842,460</u>

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

	2012	2011
	£	£
Bank loans and overdrafts	1,759,236	1,825,555
	<hr/>	<hr/>

Bank loans attract a fixed rate of interest of 5.647% and are repayable in full by 31 July 2029.

Repayments on bank and other loans can be analysed as follows:

	2012	2011
	£	£
Due within one year	69,319	65,263
Between one and two years	73,318	69,319
Between two and five years	245,989	232,575
Due after more than five years	1,439,929	1,526,661
	<hr/>	<hr/>
Total repayments	<u>1,828,555</u>	<u>1,893,818</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

14. Endowments

College

	Unrestricted Permanent £	Restricted Permanent £	Total Permanent £	Restricted Expendable £	2012 Total £	2011 Total £
Balance at beginning of year:						
Capital and unspent income	-	1,142,654	1,142,654	135,058	1,277,712	869,523
New endowment received	-	110,717	110,717	45,947	156,664	271,825
Income receivable from endowment asset investment	-	-	-	76,091	76,091	69,765
Expenditure	-	-	-	(6,769)	(6,769)	(29,623)
Net transfer between funds	-	45,997	45,997	(45,997)	-	-
Increase/(decrease) in market value of investments	-	52,723	54,723	-	52,723	96,222
Balance at end of year	-	1,352,091	1,352,091	204,330	1,556,421	1,277,712
Comprising:						
Capital and unspent income	-	1,352,091	1,352,091	204,330	1,556,421	1,277,712
Balance at end of year	-	1,352,091	1,352,091	204,330	1,556,421	1,277,712
Representing						
Research funds	-	33,580	33,580	(3,142)	30,438	22,179
Student support	-	443,245	443,245	68,385	511,630	471,876
Bursaries	-	764,549	764,549	139,087	903,636	783,657
Other funds	-	110,717	110,717	-	110,717	-
College total	-	1,352,091	1,352,091	204,330	1,556,421	1,277,712

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

15. Reserves

	General reserves £	Operational property revaluation reserve £	2012 Total £	2011 Total £
College				
Balance at beginning of year	5,527,628	17,049,010	22,576,638	21,391,074
(Deficit)/surplus retained for the year	(37,741)	-	(37,741)	253,029
Actuarial gain/(loss)	(90,191)	-	(90,191)	47,688
Increase in value	744,026	-	744,026	694,800
Transfer in respect of depreciation on revalued operational properties	-	(254,930)	(254,930)	(253,498)
Transfer in respect of disposals of fixed asset investments	-	-	-	-
Increase/(decrease) in market value of investments	(66,013)	100,142	34,129	443,545
Balance at end of year	<u>6,077,709</u>	<u>16,894,222</u>	<u>22,971,931</u>	<u>22,576,638</u>

16. Staff costs

	College Fellows 2012 £	Non Academic 2012 £	Total 2012 £	Total 2011 £
Staff costs:				
Emoluments	251,041	995,667	1,246,708	1,129,446
Social Security costs	21,740	66,417	88,157	89,070
Other pension costs (see note 17)	22,459	54,453	76,912	81,153
	<u>295,240</u>	<u>1,116,537</u>	<u>1,411,777</u>	<u>1,299,669</u>

Average number of staff (full time equivalents)

Academic numbers of stipendiary staff	8	-	8	7
Non academic	-	36	36	37
	<u>8</u>	<u>36</u>	<u>44</u>	<u>44</u>

The Governing Body consists of 44 Fellows of which the 8 declared above are stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000 in either the current or preceding year.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes

The College's employee's belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS) and a stakeholder scheme.

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 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.

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

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

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

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (continued)

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high.

Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

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

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

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

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

Cost sharing

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

Pension increase cap

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

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (continued)

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

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

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

At 31 March 2012, USS had over 145,000 active members and the College had 7 active members participating in the scheme.

The total pension cost for the College was £35,882 (2011: £25,523). The contribution rate payable by the College was 16% of pensionable salaries.

The College is also a member of a multi-employer defined benefits scheme, the Cambridge Colleges' Federated Pension Scheme. A full valuation was undertaken as at 31 March 2011 and updated to 30 June 2012 by a qualified independent Actuary.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (continued)

Cambridge Colleges Federated Pension Scheme (CCFPS)

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

	30 June 2012	30 June 2011
Discount rate	4.7%	5.5%
Expected long-term rate of return on Scheme assets	5.6%	6.2%
Salary inflation assumption	2.2% *	3.2% **
Inflation assumption	2.7%	3.4%
Pension increases	2.7%	3.4%

* 1.5% in 2012, 2.2% thereafter

** 2% in 2011, 3.2% thereafter

The underlying mortality assumption is based upon the standard table known as Self-administered Pensions Schemes (SAPS) mortality tables for average normal pensioners projected in line with the CMI 2011 projection and a target long-term improvement rate of 0.75% p.a. The allowance for improvements has been updated from 2011 when the CM1 2009, projection table was adopted. This results in the following life expectancies:

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

The assets in the Scheme and the expected rates of return were:

	Long term rate of return expected at 30 June 2012	Value at 30 June 2012	Long term rate of return expected at 30 June 2011	Value at 30 June 2011	Long term rate of return expected at 31 March 2010	Value at 31 March 2010
		£		£		£
Equities and Hedge Funds	6.4%	250,750	7.1%	233,342	7.5%	221,164
Cash, Bonds and Net Current Assets	3.7%	94,981	4.8%	150,006	5.0%	114,268
Property	5.4%	34,193	6.1%	33,334	6.5%	33,174
		<u>379,924</u>		<u>416,682</u>		<u>368,606</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (continued)

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

	2012 £	2011 £	2010 £	2009 £
Total market value of assets	379,924	416,682	368,606	300,035
Present value of Scheme liabilities	(492,469)	(439,036)	(438,648)	(343,826)
Deficit in the Scheme	<u>(112,545)</u>	<u>(22,354)</u>	<u>(70,042)</u>	<u>(43,791)</u>

The amounts recognised in income and expenditure are as follows:

	30 June 2012 £	30 June 2011 £
In staff costs:		
Current service cost (net of employee contributions)	11,167	10,350
In endowment and investment income:		
Interest cost	24,083	30,755
Expected return on pension scheme assets	(25,732)	(30,647)
Net return	<u>9,518</u>	<u>10,458</u>
Actual return on pension scheme assets	<u>(46,378)</u>	<u>41,327</u>

Changes in the present value of the Scheme liabilities are as follows:

	30 June 2012 £	30 June 2011 £
Present value of Scheme liabilities at beginning of year	439,036	438,648
Service cost (including employee's contributions)	15,104	14,906
Interest cost	24,083	30,755
Actuarial losses (gains)	30,798	(26,463)
Benefits paid	(16,552)	(18,810)
Present value of Scheme liabilities at end of year	<u>492,469</u>	<u>439,036</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (Continued)

Changes in the fair value of the Scheme assets are as follows:

	30 June 2012 £	30 June 2011 £
Market value of Scheme assets at beginning of year	416,682	368,606
Expected return	25,732	30,647
Actuarial gains and (losses)	(72,110)	10,680
Contributions by employer	22,235	21,003
Additional contributions by members (including AVCs)	3,937	4,556
Benefits (and expenses) paid	(16,552)	(18,810)
	<u>379,924</u>	<u>416,682</u>
Market value of Scheme assets at end of year	<u>379,924</u>	<u>416,682</u>

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

	30 June 2012 £	30 June 2011 £	31 March 2010 £	31 March 2009 £	31 March 2008 £
Present value of Scheme liabilities	(492,469)	(439,036)	(438,648)	(343,826)	(402,293)
Market value of Scheme assets	379,924	416,682	368,606	300,035	390,755
	<u>(112,545)</u>	<u>(22,354)</u>	<u>(70,042)</u>	<u>(43,791)</u>	<u>(11,538)</u>
Experience adjustments on Scheme liabilities	(18,493)	5,377	4,416	(4,696)	40,996
Experience adjustments on Scheme assets	(72,110)	10,680	40,402	(76,334)	(29,445)
Change in assumptions underlying present value of Scheme liabilities	(12,305)	21,086	(82,997)	36,094	46,071

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2012

17. Pension Schemes (continued)

Stakeholder Scheme

The College also operates a defined contribution scheme under the stakeholder rules for employees. The pension charge for the year was £28,520 (2011: £32,979).

The total pension cost for the College for the year to 31 July 2012 (see note 16) was as follows:

	2012	2011
	£	£
USS: Employer contributions	35,882	25,523
CCFPS: Charged to Income and Expenditure Account	12,510	22,650
Stakeholder Scheme: Employer contributions	28,520	32,980
	<u>76,912</u>	<u>81,153</u>

18. Financial Commitments

	2012	2011
	£	£
Capital commitments		
Authorised by the Governing Body and contracted for	<u>14,213</u>	<u>-</u>

19. Related Party Transactions

Owing to the nature of the College's operations and the composition of its Governing Body, it is possible 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.

Two of the Members of the Governing Body are Trustees of the PHG Foundation. As disclosed in note 1 to the financial statements, the PHG Foundation has made a grant of £150,000 to the College during the year (2011: £150,000).

The College is the sole member of Hughes Hall, a company limited by guarantee and incorporated in England and Wales. The principal purpose of Hughes Hall Limited is to develop new student accommodation for the College. The net liabilities of Hughes Hall Limited as at 31 July 2012 were £49 (2011 net assets: £12) and the net loss for the period then ended was £61 (2011 net profit: £449).

At 31 July 2012 Hughes Hall Limited owed the College £17,465 (2011: £22,173).