

**NEWNHAM COLLEGE
CAMBRIDGE**

Consolidated Financial Statements

for the Year Ended 30 June 2007

NEWNHAM COLLEGE
Consolidated Financial Statements
for the Year Ended 30 June 2007

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NEWNHAM COLLEGE
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for the Year Ended 30 June 2007

Bursar's Report

The College's primary purpose is the provision of education, learning and support for research. There were 491 students at the College during the year, in respect of whom fees were received as follows: 348 funded as Home/EU undergraduates; 52 privately funded undergraduates; and 91 as graduates. There were 7 Professorial Fellows, 43 Teaching and Tutorial Fellows (most of whom were actively engaged in research) and 4 Research Fellows.

During the year good progress was made on several strands in the development of the College and its financial strategy. The accounts this year include the consolidated figures of the College's three subsidiary companies. The work of these companies is all related to the core activities of the College and the net effect on the overall figures was to add £41k to assets and reserves.

Financial Performance

This College, like most other Cambridge Colleges, runs at a deficit: however the College has continued to reduce this and for 2006-07 it amounted to £280,642. This was after including provisions for depreciation on buildings of £429,150. These provisions are intended to build up funds for future major overhauls or replacements of buildings as and when they become necessary. In the past seven years the College has spent in excess of £15m replacing two buildings constructed in the 1960's: the Library and the Kitchens/Buttery.

Income levels have been maintained at over £8m largely due to the generosity of the Colleges alumnae in bequests and donations. Almost all these sums are transferred to endowment funds and will provide income for the long term future of the College.

The small growth in income is attributable to the steady progress towards setting rents for students at an economic level (i.e. one which covers the full cost of providing such heavily serviced provision) and slight uplift in conference letting.

Endowment income was very slightly lower than in 2005-06 mainly because of the drop in donations and bequests which at £2,328,058 are nevertheless an impressive and continuing testimony to the generosity of our alumnae. Most of this income has been invested to increase annual income each year in the future. The other factor was a drop in rental income from commercial properties which resulted from a sale of some of those properties in line with the strategic decision to move away from direct ownership of investment property to investment in funds

Income from academic fees rose less than the per capita rates would dictate because of a drop in student numbers, especially from graduate students. College fee income in 2006-07 represented only 46% of the income needed to cover education costs with the remaining 54% made up from the Endowment. It is ironic that the traditional forms of Cambridge teaching and pastoral support are being brought under threat at the very time when they are most needed to support an increasingly heterogeneous intake, the result of the College's successful response to social and political pressures to widen and diversify its intake.

Income from residencies, catering and conferences saw an increase of 5.7% which reflects a combination of increased income from student rents of £81k (6.6%) and in other income which showed some slight improvement over the low levels of the previous year, attributable to the continuation of the rebuilding and refurbishment of the Kitchen and Buttery, which was completed in May 2007. The temporary facilities have allowed College life to continue much as normal but they have inevitably failed to attract external business at the usual levels. It was good to see the enthusiasm with which the new facilities were welcomed by the students.

Spending on building maintenance rose to more normal levels, reaching (inclusive of staff costs) £1,397,237. This falls just a little below the-guide figure provided by the Royal Institute of Chartered Surveyors for prudent levels of spending to maintain historic buildings (1.8% of reinstatement costs, which are insured at £84.5m.). The construction and equipping of the new Kitchen and Buttery incurred further costs of £4.5m during the year.

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Bursar's Report (continued)

Even without this, building costs accounted for some 20% of total expenditures and are significant not only because they continued to rise at a rate around 8-10% per annum but also because they generally attract VAT at 17.5% and are expenditures which are driven to some degree by factors outside the control of the College. These include-significant legislative and regulatory changes in respect of Health and Safety matters and the standards required of student accommodation. It is difficult to recover these costs from rents and charges. The income available to students from the Government has been improved significantly, albeit for the most part in the form of loans, the measure of annual increase is based on RPI rather than the higher levels of inflation faced by Colleges. As a consequence, above inflation rises in rents and charges need to be accompanied by increased levels of bursaries to assist those students for whom such levels of charges cause hardship. The College is making steady progress on both these fronts. Staff costs, which also tend to rise at a rate above RPI, rose 6.6%, partly after filling vacancies, to represent 46.6% of expenditure.

Benefactions and Donations

The College continues to be extremely grateful for the generous and loyal support of its alumnae. The traditional system of intensive teaching in small groups, backed by strong pastoral support, is inadequately supported by fee income (over which the College has almost no control) and increasingly requires a strong Endowment to enable it to continue. In 2006-07 bequests received totalled £1.9m, all of which was transferred out of the Income and Expenditure Account to add to the Endowment funds. The third annual telephone campaign was less successful than the first two but was boosted by a small USA campaign (the first undertaken) and by fundraising in honour of the retiring Principal to raise money for Graduate Studentships. The total received in the year by way of donations rose slightly to £406k.

Investment Performance

The market value of the College's investment assets increased again by £5.1m to £57.4m. Without the benefit of the special dividend received in 2005/6 (which was £163k), total investment income fell by c.£40k to £1.85m. The total return on investments, however, was 14.9% in comparison with 13.2% in the previous year. As reported last year, the College has decided to move to a Total Return policy. In the event this has not been implemented in 2006-07 but will become effective from 2007-08.

Reserves

The College's unrestricted funds rose £11m to £82.7m during 2006/7. £55.7m of this is tied up in the College's main buildings and graduate houses, following capital expenditure over the last seven years of £12.9m, and revaluation of these assets by £42.8m. This represents the increased value put on the operational buildings on the basis of market value for existing use (adjusted for costs of improvements and deterioration).

Capital Expenditure

The major project during this year has been completion of the Kitchen and Buttery Project. To the expenditure of £2.46m in 2005/6 there is a further £4.5m added in 2006/7. The major part of this has been funded by a £6m bank loan which will be repaid over 25 years with payments commencing in 2007/8 and interest capped for the whole period at 5.24%

Risk Management

The College maintains a strong system of financial and management controls. The detailed estimates for the year ahead and a rolling five year forecast are scrutinised by the Finance Committee prior to consideration and approval by the College Council in June each year. Monthly departmental management accounts are produced including comparison of budget with actual for each cost centre. Revised Forecasts of Outturn are produced mid-year to allow for an overall review of the progress of each year's finances. The College, through its senior management and committees reporting to the College Council, is active in identifying, reviewing and documenting its exposure to other major risks with a view to eliminating, reducing and/or controlling them.

NEWNHAM COLLEGE

For the year ended 30 June 2007

Responsibilities of the College Council

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

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

In causing the financial statements to be prepared, the College Council has ensured that:

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

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

The College Council has taken reasonable steps to ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud.

Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

NEWNHAM COLLEGE

Auditors' Report to the Governing Body of Newnham College, Cambridge

We have audited the financial statements of the College for the year ended 30 June 2007 on pages 9 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain investment assets, and the accounting policies set out on pages 6 to 8.

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

Respective Responsibilities of the College's Council and auditors

As described in the Statement of Responsibilities, the College Council is responsible for the preparation of financial statements in accordance with the applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards in 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 accounting policies set out therein, with the provision of the Statutes of the College and with the Statutes of the University of Cambridge.

We also report if, in our opinion, the College has not kept proper accounting records, or if we have not received the information and explanations we require for our audit.

We are not required to consider whether the statement in the Bursar's Report 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 the information contained in the Bursar's Report 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 in Auditing (UK and Ireland) issued by the Auditing Practices Board and Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College Council 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.

Opinion

In our opinion the contribution due from the College to the University has been correctly computed in accordance with the provision of Statute G II of the University of Cambridge and in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for England during the year ended 30 June 2007 has been applied to the purposes for which it was received.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 30 June 2007 and of its results for the year then ended; and
- have been properly prepared in accordance with the accounting policies set out therein and the Statutes of the College and of the University of Cambridge.
- The information in the Bursar's report is consistent with the financial statements

Prentis & Co

Chartered Accountants and Registered Auditors
115c Milton Road, Cambridge CB4 1XE

31 October 2007

NEWNHAM COLLEGE

for the year ended 30 June 2007

Statement of Principal Accounting Policies

(i) Basis of preparation

The accounts 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 comply with the Statement of Recommended Practice "Accounting for Further and Higher Education Institutions" (the SORP) with the exception of the Balance Sheet which has been presented in the different format set out in the relevant sections 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.

(ii) Basis of accounting

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

(iii) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its three wholly owned subsidiary undertakings for the year ended 30 June 2007. The activities of student societies have not been consolidated.

A separate Balance Sheet and related notes for the College are not included in the financial statements because the assets and liabilities of the College's subsidiaries are relatively small and therefore that Balance Sheet would not be materially different from the consolidated one.

(iv) Recognition of income

Donations and bequests 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. All income from short-term deposits and the investment of unrestricted funds is credited to the Income and Expenditure Account on a receivable basis. Unrestricted funds and bequests received are designated as capital or as income in the year of receipt by Council.

(v) Pension schemes

The College participates in the Universities Superannuation Scheme (USS) and the Cambridge Colleges Federated Pension Scheme (CCFPS). These are both defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the 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 charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

NEWNHAM COLLEGE
for the year ended 30 June 2007

Statement of Accounting Policies - continued

(vi) Tangible fixed assets

a. Land and buildings

The land comprising the College's main site has not been included in the balance sheet. The buildings on the College's main site have been treated as tangible fixed assets and valued on the basis of their depreciated replacement cost. The valuation on 30 June 2007 was carried out by Gerald Eve, Chartered Surveyors. Freehold buildings are depreciated on a straight line basis over their expected useful economic life of 100 years. Freehold land is not depreciated.

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

Finance costs which 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 the Balance Sheet date. They are not depreciated until they are brought into use.

b. Maintenance of premises

The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred. The College also sets aside sums to meet major maintenance costs which occur on an irregular basis. These are disclosed as designated funds.

c. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £10,000 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:

Books, furniture and fittings	5% and 10% per annum
Catering heating and ventilation equipment	5% per annum
Major computer software	10% per annum
Computer equipment	25% per annum

Where equipment is acquired with the aid of specific bequests or donations the income is credited to a deferred capital account and income released to the Income and Expenditure Account over the same period of depreciation as the furniture or equipment to which it relates.

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

All these assets are deemed to be inalienable and are not included in the balance sheet.

NEWNHAM COLLEGE
for the year ended 30 June 2007

Statement of Accounting Policies - continued

(vii) Investments

Stock Exchange investments are included in the balance sheet at market value. All College properties off the main site are treated as investment assets and shown as estate properties. They are valued at market value once every five years by a professional valuer (Gerald Eve) and revalued on the balance sheet accordingly. Investments in subsidiaries are held at cost in the College's Balance Sheet. Their value is reviewed annually and provision made for any impairment identified.

(viii) Stocks

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) Reserves

These accounts distinguish from each other those reserves and funds received which are:

- Permanent Capital (which the College cannot spend but can only use the income generated) rather than Expendable capital;
- Restricted Reserves (which have a requirement by the donor that they be only used for a specific purpose) and Unrestricted Reserves;
- Designated Funds (which the College Council has decided should be used for a particular purpose) and Undesignated Funds.

NEWNHAM COLLEGE
Consolidated Income and Expenditure Account
for the Year Ended 30 June 2007

	Note	2006/07 £	2005/06 £
INCOME			
Academic Fees and Charges	1	1,672,698	1,625,712
Residences, Catering, and Conferences	2	2,284,633	2,153,811
Endowment Income	3	4,185,340	4,340,990
Other Charges and Income	4	118,814	140,726
Total Income		8,261,485	8,261,239
EXPENDITURE			
Education	5	3,345,423	3,019,120
Residences, Catering and Conferences	6	3,186,746	2,679,244
Other		79,720	85,137
Total Expenditure		6,611,889	5,783,501
Operating Surplus		1,649,596	2,477,738
Release of Capital Grants from Deferred Capital Reserve		48,736	49,075
Contribution to Colleges Fund Under Statute G,II	9	(63,704)	(50,864)
NET SURPLUS before transfers		1,634,628	2,475,949
Transfers to Reserves and Funds		(4,550,317)	(4,562,221)
Transfers from Reserves and Funds		2,635,047	1,741,377
NET DEFICIT before exceptional item		(280,642)	(344,895)
Exceptional Item			
VAT recovered on Library works charged in previous years to revenue	21	-	1,318,507
NET (DEFICIT) / SURPLUS to General Capital		(280,642)	973,612

NEWNHAM COLLEGE

Consolidated Statement of Total Recognised Gains and Losses

for the Year Ended 30 June 2007

	Restricted Funds £	Unrestricted Funds			Total 30 June 07 £	Total 30 June 06 £
		Designated Funds £	Undesignated Funds £	Total 30 June 07 £		
Balance brought forward 1 July	<u>26,000,954</u>	<u>4,330,410</u>	<u>66,833,021</u>	<u>97,164,385</u>		<u>88,843,266</u>
Appreciation of Investment Assets	3,969,339	74,636	2,656,106	6,700,081		4,593,319
Revaluation of College Property			6,482,239	6,482,239		-
Actuarial gain/(loss) on CCFPS pension deficit provision	-	-	65,783	65,783		(25,831)
Capital donations for Library project put to Deferred Capital Reserve	8,279	-	-	8,279		26,141
Transfers	(600,007)	136,705	2,441,532	1,978,230		2,802,954
Retained Income and Expenditure						
Account surplus / (deficit) for the year	-	-	(280,642)	(280,642)		973,611
Release of capital grants from Deferred Capital Reserve to I&E Account	(48,736)	-	-	(48,736)		(49,075)
Total Recognised Gains / (Losses) for the Year	<u>3,328,875</u>	<u>211,341</u>	<u>11,365,018</u>	<u>14,905,234</u>		<u>8,321,119</u>
Balance carried forward at 30 June	<u>29,329,829</u>	<u>4,541,751</u>	<u>78,198,039</u>	<u>112,069,619</u>		<u>97,164,385</u>

NEWNHAM COLLEGE

Consolidated Balance Sheets

At 30 June 2007

	Note		2006/07	2005/06
			£	£
FIXED ASSETS	10			
Tangible Assets			56,960,000	46,383,496
Investments			57,387,562	52,260,433
			<u>114,347,562</u>	<u>98,643,929</u>
CURRENT ASSETS				
Stock	11	157,787		149,160
Debtors	12	925,947		1,423,521
Cash		4,104,847		153,492
		<u>5,188,581</u>		<u>1,726,173</u>
CURRENT LIABILITIES				
Creditors: Amounts Falling Due Within One Year	13	(1,285,772)		(1,083,403)
Net Current Assets			<u>3,902,809</u>	<u>642,770</u>
Total Assets less Current Liabilities			<u>118,250,371</u>	<u>99,286,699</u>
Creditors: Amounts Falling Due In More Than One Year	14		(5,881,643)	(1,700,000)
Pension Liability	20		(299,109)	(422,314)
NET ASSETS			<u>112,069,619</u>	<u>97,164,385</u>
CAPITAL AND RESERVES	19	Expendable Capital Funds £	Permanent Capital Funds £	Total 2006/07 £
Restricted Funds held for:				Total 2005/06 £
Collegiate Purposes		8,856,393	18,353,808	27,210,201
Non-Collegiate Purposes		30,596	2,089,032	2,119,628
		<u>8,886,989</u>	<u>20,442,840</u>	<u>29,329,829</u>
				<u>26,000,955</u>
Unrestricted Funds:				
Designated		4,326,270	215,481	4,541,751
Undesignated		59,335,928	18,862,111	78,198,039
		<u>63,662,198</u>	<u>19,077,592</u>	<u>82,739,790</u>
				<u>71,163,430</u>
TOTAL		<u>72,549,187</u>	<u>39,520,432</u>	<u>112,069,619</u>
				<u>97,164,385</u>

These financial statements were approved by Newnham College Council on 25th October 2007 and signed on its behalf by:

Dame Patricia Hodgson (Principal)

Mr Ian M. Le M. Du Quesnay (Bursar)

NEWNHAM COLLEGE

Consolidated Cash Flow Statement for the Year Ended 30 June 2007

	2006/07	2005/06
	£	£
Reconciliation of operating deficit to net cash inflow from operating activities		
Operating (Deficit) / Surplus	(280,642)	973,612
Add: Depreciation	472,780	473,341
Capital Grants released in year	(48,736)	(49,075)
Surplus on sale of investment assets	-	(5,250)
Contribution to Colleges Fund Under Statute G,II	63,704	50,864
Transfers	1,978,228	2,808,203
Actuarial loss on pension provision	65,783	(25,831)
Investment income and interest received	(1,504,248)	(1,620,881)
(Increase) / Decrease in Stocks	(8,627)	(4,188)
(Increase) / Decrease in Debtors	497,574	(1,029,682)
Increase / (Decrease) in Creditors	84,014	(534,546)
Increase / (Decrease) in Pension Liability	(123,205)	(42,678)
Net Cash (Outflow) / Inflow from Operating Activities	<u>1,196,625</u>	<u>993,889</u>

CASH FLOW STATEMENT

Net Cash Inflow from Operating Activities	1,196,625	993,889
Returns on Investments and Servicing of Finance		
Investment Income	1,476,065	1,619,736
Interest Received	28,183	1,147
Interest Paid	-	-
Net cash inflow from returns on investment	<u>1,504,248</u>	<u>1,620,883</u>
Contribution to Colleges Fund Under Statute G,II	<u>(63,704)</u>	<u>(50,864)</u>
Capital Expenditure and Financial Investment		
Receipts from sale of investment properties	1,640,334	5,250
Receipts from capital donations to Library project	8,279	26,141
	<u>1,648,613</u>	<u>31,391</u>
Expenditure on tangible fixed assets	(4,567,045)	(2,482,618)
Expenditure on investment assets	(67,382)	(1,853,304)
	<u>(4,634,427)</u>	<u>(4,335,922)</u>
Net Cash Outflow from Investing Activities	<u>(2,985,814)</u>	<u>(4,304,531)</u>
Financing		
Long term loans received	4,300,000	1,700,000
Increase / (Decrease) in Cash in the year	<u>3,951,355</u>	<u>(40,623)</u>

Reconciliation of net cash flow to movement in net liquid assets

Increase in Cash in the year	3,951,355	(40,623)
Net liquid funds brought forward at 1 July	153,492	194,115
Net liquid funds carried forward at 30 June	<u>4,104,847</u>	<u>153,492</u>

NEWNHAM COLLEGE

Notes to the Accounts

At 30 June 2007

1. ACADEMIC FEES AND CHARGES		2006/07	2005/06		
		£	£		
COLLEGE FEES					
Fee Income paid on behalf of Undergraduates eligible for Student Support (per Capita Fee £3,384; 2005/6 £3,226)		1,160,976	1,123,587		
Other Undergraduate Fee Income (per Capita Fee £3,761; 2005/6 £3,561))		193,472	183,305		
Graduate Fee Income (per Capita Fee £2,040; 2005/6 £1,995)		190,702	227,036		
		<hr/>	<hr/>		
		1,545,150	1,533,928		
Teaching Grants		54,290	28,289		
Recoveries from other Colleges		68,559	57,341		
Other Fees and Charges		4,699	6,154		
		<hr/>	<hr/>		
Total		1,672,698	1,625,712		
2. RESIDENCES, CATERING, AND CONFERENCES INCOME		2006/07	2005/06		
		£	£		
Accommodation	College Members	1,312,562	1,231,257		
	Conferences	187,856	185,933		
Catering	College Members	491,698	469,301		
	Conferences	126,495	101,420		
Rents from College Subsidiaries		166,022	165,900		
		<hr/>	<hr/>		
Total		2,284,633	2,153,811		
3. ENDOWMENT INCOME					
		Restricted Funds	Unrestricted Funds	2006/07 Total	2005/06 Total
		£	£	£	£
<u>Income from:</u>					
Freehold Land and Buildings		-	157,099	157,099	197,970
Property Investment Fund		-	83,552	83,552	84,564
Quoted Securities		706,498	867,306	1,573,804	1,595,531
Cash		19,225	23,602	42,827	21,081
Donations and Bequests		273,460	2,054,598	2,328,058	2,441,844
		<hr/>	<hr/>	<hr/>	<hr/>
		999,183	3,186,157	4,185,340	4,340,990
4. OTHER INCOME		2006/07	2005/06		
		£	£		
College Events		25,189	28,186		
Non-Collegiate income		11,540	28,542		
Surplus on Disposal of Property		-	5,250		
Sundry charges and other income		82,085	78,749		
		<hr/>	<hr/>		
		118,814	140,726		

NEWNHAM COLLEGE

Notes to the Accounts - continued

5. EDUCATION EXPENDITURE	2006/07 £	2005/06 £
Teaching	1,773,841	1,622,223
Tutorial	574,088	511,453
Admissions	247,514	225,758
Research	299,117	257,090
Scholarships and Awards	219,236	203,186
Other Educational Facilities	231,627	199,410
Total	3,345,423	3,019,120

6. RESIDENCES, CATERING, AND CONFERENCES EXPENDITURE	2006/07 £	2005/06 £
Accommodation	College Members	2,468,143
	Conferences	38,704
Catering		679,899
Total	3,186,746	2,679,244

7. ANALYSIS OF EXPENDITURE BY ACTIVITY	Staff Costs (Note 9)	Other Operating Expenses	Depreciation	2006/07 Total	2005/06 Total
	£	£	£	£	£
Education (Note 5)	1,599,486	1,587,038	158,899	3,345,423	3,019,120
Residences, Catering & Conferences (Note 6)	1,209,297	1,663,568	313,881	3,186,746	2,679,244
Other	19,644	60,076	-	79,720	85,137
	2,828,427	3,310,682	472,780	6,611,889	5,783,501
Including: Auditors Fees - as auditors - for other work				8,700	8,300
Cost of Fundraising				194,569	179,311

8. STAFF AND FELLOWS	College Fellows 2006/07	Academics 2006/07	Non - Academics 2006/07	Total 2006/07	Total 2005/06
Staff Costs *	£	£	£	£	£
Emoluments	606,062	89,085	1,709,860	2,405,007	2,162,621
Social Security Costs	43,757	6,489	128,543	178,789	156,441
Other Pension Costs	48,352	6,301	189,978	244,631	247,306
	698,171	101,875	2,028,381	2,828,427	2,566,368

* No officer or employee of the College, including the Head of House, received emoluments of over £70,000

Average Staff Numbers

Academic	48	4	-	52	47
Non-Academics	-	-	88	88	89
	48	4	88	140	136
Fellows - full time stipendary	10		full time		
Fellows - part time stipendary	33		equivalents		
Fellows - non-stipendary	25				

NEWNHAM COLLEGE

Notes to the Accounts - continued

9. CONTRIBUTION TO COLLEGES FUND UNDER UNIVERSITY STATUTE G II	2006/07	2005/06
	£	£
Endowment Income as per Income and Expenditure Account	4,185,340	4,340,990
Add: Internal Interest Transfer	32,558	33,988
Less costs	(216,861)	(213,543)
	<hr/>	<hr/>
	4,001,037	4,161,435
Less: Items not Assessable to Contribution:		
Donations and Bequests	2,328,058	2,441,844
Income of Funds held for non-Collegiate purposes	70,706	56,006
Assessable Income	1,602,273	1,663,585
Less: Deductible Items	825,403	855,585
Net Assessable Income	776,870	808,000
	<hr/>	<hr/>
Contribution Payable @ 2%	6,000	5,000
@ 6% (2005/6: 7%)	18,000	17,500
@ 12% on remainder (2005/6: 13%)	21,224	40,040
	<hr/>	<hr/>
Adjustment for prior years underprovision	45,224	62,540
	18,480	(11,676)
	<hr/>	<hr/>
	63,704	50,864
	<hr/>	<hr/>
ASSESSABLE INCOME		
External Revenue		
Rents from College Estates	157,099	197,970
Dividends from Property Investments Fund	83,552	84,564
Dividends and Interest	486,895	393,920
	<hr/>	<hr/>
	727,546	676,454
Less Costs:		
Professional fees and other property running costs	31,648	36,617
Management Costs	49,142	30,878
Insurance and Rates	67,970	67,395
Interest Payments	32,558	33,988
Transfer to Estates Repairs Fund	35,543	216,861
	<hr/>	<hr/>
	510,685	462,911
Income from Trust and Other Funds subject to Contribution	1,248,010	1,256,680
Less: Trust and Other Funds not subject to Contribution	70,706	56,006
Transfer from Consolidated Investment Income Reserve	85,716	1,091,588
	<hr/>	<hr/>
Net Assessable Income	1,602,273	1,663,585
	<hr/>	<hr/>
DEDUCTIBLE ITEMS	University Statute	
Sinking Fund transfers and income - now disallowed	GII 4(iv)	-
Half sum paid to Scholars and Research Students	GII 4(iv)	69,190
Prizes	GII 4(vi)	8,000
Building Maintenance (per capita)	GII 4(vii)	178,800
Student Medical Counselling and Childcare Services	GII 4(xii)	19,339
Donations for University Purposes	GII 4(xii)	350
College Teaching Officers Additional Stipends	GII 4(xix)	233,524
Net Expenditure on Library Services	GII 4(xvii)	214,775
Expenditure on College Library Maintenance	GII 4(xvii)	6,570
Expenditure on Temporary Library	GII 4(xvii)	955
College Research Fellows	GII 4(xviii)	62,670
College Archives	GII 4(xxiii)	31,230
	<hr/>	<hr/>
	825,403	855,585
	<hr/>	<hr/>

NEWNHAM COLLEGE

Notes to the Accounts - continued

10. FIXED ASSETS

<u>Tangible Assets</u>	College Buildings £	Furniture & Equipment £	Library Books & Equipment	2006/07 Total £	2005/06 Total £
COST/VALUATION					
At 30 June 2006	47,696,527	51,237	396,305	48,144,069	45,661,451
Additions	3,546,784	1,000,000	20,262	4,567,046	2,482,618
Revaluation During the Year	4,456,689	-	-	4,456,689	-
At 30 June 2007	55,700,000	1,051,237	416,567	57,167,804	48,144,069
DEPRECIATION					
At 30 June 2006	1,596,400	38,179	125,995	1,760,574	1,287,232
Provided for the year	429,150	7,690	35,940	472,780	473,342
Written back on Revaluation 30 June 2007	(2,025,550)	-	-	(2,025,550)	-
At 30 June 2007	-	45,869	161,935	207,804	1,760,574
Net Book value					
At 30 June 2007	55,700,000	1,005,368	254,632	56,960,000	46,383,495
At 30 June 2006	46,100,127	13,058	270,310	46,383,495	44,374,219

The amount of finance cost capitalised during 2006/7 was £253,114. The capitalisation rate used was 100% of the loan during the building project.

The freehold College buildings at 30 June 2007 were insured at reinstatement costs of £84,500,000

<u>Investment Assets</u>	Securities and Cash	Property	2006/07 £	2005/06 £
At 30 June 2006	47,477,477	4,782,956	52,260,433	45,819,060
Additions	65,746	1,636	67,382	1,853,304
Disposals	(80,000)	(1,560,334)	(1,640,334)	0
Appreciation on Disposals or Revaluation	5,834,747	865,334	6,700,081	4,588,069
At 30 June 2007	53,297,970	4,089,592	57,387,562	52,260,433

Represented by:

Estate Properties	4,089,592	4,782,956
Quoted Securities - Equities	22,971,504	40,330,757
Quoted Securities - Fixed Interest	4,300,392	5,182,825
Unquoted	73,724	40,244
Cash Held For Reinvestment	25,952,350	1,923,651
	57,387,562	52,260,433

The valuation of College buildings and investment properties at 30 June 2007 was carried out by Gerald Eve, Chartered Surveyors on the basis of market value for existing use, plus current gross replacement costs of improvements, less allowance for physical deterioration and obsolescence. The stock exchange investments were valued at mid-market price at the Balance Sheet dates.

NEWNHAM COLLEGE

Notes to the Accounts - continued

	2006/07	2005/06
	£	£
11. STOCK		
Food and Drink	7,760	9,753
Wine	131,279	112,179
Memorabilia	10,650	13,392
Linen, Cleaning Materials and Other	8,098	13,836
	<u>157,787</u>	<u>149,160</u>
12. DEBTORS		
Taxes due from Government Departments	332,434	970,875
Trade Debtors	198,634	176,585
Sundry Debtors and Prepayments	394,879	276,061
	<u>925,947</u>	<u>1,423,521</u>
13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	631,193	741,610
Loan Repayments of Capital	118,357	-
Contribution due to Colleges Fund	45,224	44,060
Taxes and social security costs	62,919	54,861
Accruals and Sundry Creditors	428,079	242,872
	<u>1,285,772</u>	<u>1,083,403</u>
14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Bank Loan	5,881,643	1,700,000
The bank loan is secured on certain College freehold properties and is subject to interest fixed under a swap agreement at 5.24% for 25 years from 2007. Repayments will not commence until July 2007 and will be made over the 25 years to June 2032.		
15. RELATED PARTY TRANSACTIONS		
Owing to the nature of the College's operations and the composition of the College Council and Governing Body it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the College Council or Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures		
16. CAPITAL COMMITMENTS		
At 30 June 2007 the College had the following capital commitments not provided for in these accounts:		
- contracted for	£845,000	£4,722,471
- not yet contracted for	£880,000	£163,957
17. FINANCIAL COMMITMENTS		
At 30 June 2007 and 30 June 2006 the College had no annual commitments under non-cancellable operating leases.		
18. REVALUATION RESERVE		
The Undesignated Reserves in note 19 include revaluation reserve in respect of		
tangible fixed assets as follows:	2006/07	2005/06
Value of College buildings in excess of book cost	£	£
Balance brought forward 1 July	36,355,211	36,355,211
Surplus on Revaluation at 30 June 2007	4,456,689	-
Depreciation written back on revaluation	2,025,550	-
Balance carried forward 30 June	<u>42,837,450</u>	<u>36,355,211</u>

NEWNHAM COLLEGE

Notes to the Accounts - continued

19. CAPITAL AND RESERVES

	Expendable Capital Fund £	Permanent Capital Fund £	Total 2006/07 £	Total 2005/06 £
Restricted Funds:				
Funds for Collegiate Purposes	4,173,350	18,353,808	22,527,158	19,609,538
Funds for Non-Collegiate Purposes	30,596	2,089,032	2,119,628	1,667,916
Deferred Capital Funds	4,683,043	-	4,683,043	4,723,501
	8,886,989	20,442,840	29,329,829	26,000,955
Unrestricted Funds:				
<u>Designated Funds:</u>				
Funds for Collegiate Purposes	3,916,863	215,481	4,132,344	3,653,112
Funds for Non-Collegiate Purposes	97,293	-	97,293	86,072
Amalgamated Building & Maintenance Funds	312,114	-	312,114	591,226
	4,326,270	215,481	4,541,751	4,330,410
<u>Undesignated Funds:</u>				
Corporate Capital	-	17,748,075	17,748,075	15,906,771
Building Sinking Fund	-	1,114,036	1,114,036	906,917
Revaluation Reserve (note 18)	42,837,450	-	42,837,450	36,355,211
Donations & Benefactions	11,235,250	-	11,235,250	8,712,826
Revenue Reserve	593,115	-	593,115	575,569
COLLEGE General Capital	4,629,188	-	4,629,188	4,352,164
SUBSIDIARIES	40,925	-	40,925	23,562
General Capital	4,670,113	-	4,670,113	4,375,726
	59,335,928	18,862,111	78,198,039	66,833,020
	72,549,187	39,520,432	112,069,619	97,164,385

Reconciliation of Movement in Capital and Reserves:

	Restricted Reserves		Unrestricted Reserves				Total 2006/07	Total 2005/06		
	Expendable Capital Fund £	Permanent Capital Fund £	Designated Reserves		Undesignated Reserves					
			Expendable Capital Fund £	Permanent Capital Fund £	Expendable Capital Fund £	Permanent Capital Fund £				
At 30 June 2006	7,917,953	18,083,002	3,943,329	387,081	50,019,332	16,813,688	97,164,385	89,308,257		
Increase in Year	969,036	2,359,838	382,941	(171,600)	9,316,596	2,048,423	14,905,234	7,856,128		
At 30 June 2007	8,886,989	20,442,840	4,326,270	215,481	59,335,928	18,862,111	112,069,619	97,164,385		

Capital is invested in the following categories of assets

Tangible Fixed Assets	4,683,043	-	-	-	50,263,429	2,013,528	56,960,000	46,383,496
Investment Assets	3,886,536	20,060,455	4,629,151	207,450	13,453,301	15,150,669	57,387,562	52,260,433
Net Current Assets	317,410	382,385	(302,881)	8,031	1,799,950	1,697,914	3,902,809	642,770
Long term liabilities	-	-	-	-	(5,881,643)	-	(5,881,643)	(1,700,000)
Pension Liability	-	-	-	-	(299,109)	-	(299,109)	(422,314)
Total at 30 June 2007	8,886,989	20,442,840	4,326,270	215,481	59,335,928	18,862,111	112,069,619	97,164,385

NEWNHAM COLLEGE

20. PENSION SCHEMES

(a) Universities Superannuation Scheme

The institution participates in the University Superannuation Scheme, 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. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme as required by FRS 17: 'Retirement Benefits'. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2005. The assumptions which have the most significant effect on the result of the valuation are those related to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method. Standard mortality tables were used, PA92 (rated down 3 years) for pre-retirement mortality, and PA92 (2=2020) for post-retirement mortality. Use of these tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are: 19.8 years for men and 22.8 for women.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover only 77% 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. Using the Minimum Funding Requirement's prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% 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, the actuary estimated that the funding level would have been approximately 90%

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries but it was agreed that the institution contribution rate would be maintained at 14%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2billion
Rate of pension increases	Increase/decrease by 0.5%	Decrease/Increase by £1.7billion
Rate of salary growth	Increase/decrease by 0.5%	Decrease/Increase by £0.5billion
Rate of mortality	More prudent assumption (Mortality used at last valuation rated down by a further year)	Increase by £0.8billion

An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006 USS positioned itself as a 'last person standing' scheme, so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which can not otherwise be recovered) in respect of that employer will be spread across the remaining employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31st March 2008 when the above rates will be reviewed as part of each valuation

The total pension cost for the College was £126,330 (2005/6 £118,657). This includes outstanding contributions of £NIL at the balance sheet dates. The contribution rate payable by the institution was 14% of pensionable salaries.

NEWNHAM COLLEGE

Notes to the Accounts - continued

20 (b) Cambridge Colleges Federated Pension Scheme

The College participates in a multi-employer defined benefit scheme, the Cambridge Colleges' Federated Pension Scheme, 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. It has been approved by the Inland Revenue Savings, Pensions, Share Schemes (formerly the Pension Schemes Office) under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. The College's employees covered by the Scheme are contracted-out of the State Second Pension (S2P).

The College decided to close its scheme membership to new entrants with effect from January 2004. The date of the most recent full actuarial valuation, on which the amounts in these notes to the financial statements are based, was as at 31 March 2005. These FRS17 valuation results use the same valuation data updated at 31 March 2007 by an Actuary who is not an employee or officer of the College and/or its subsidiaries. A valuation taken at 31 March 2007 has been used as the College considers there is not a material movement between that date and 30 June 2007.

At the last Minimum Funding Requirement valuation at 31 March 2005 there was a deficit of £254,580. The contribution made by the College in respect of the accounting period ended 30 June 2007 was £167,004 (2006: £186,676) excluding Personal Health Insurance contributions. These figures include annual lump sum contributions by the College (2006/7: £61,100 and 2005/6 £57,700) towards the historic deficit identified by the valuation at 31 March 2005.

The major assumptions used by the Actuary were:	2007	2006	2005
Discount rate	5.4%	4.9%	5.4%
Inflation assumption	3.3%	3.0%	3.0%
Rate of increase in salaries	3.9%	3.75%	3.75%
Rate of increase in pensions in deferment:			
- Guaranteed Minimum Pension (GMP)	3.9%	3.75%	3.75%
- Excess pension over GMP and pension accrued after 5 April 1997	3.3%	3.0%	3.0%
Rate of increase in pensions in payment:			
- GMP accrued up to 5 April 1988	0.0%	0.0%	0.0%
- GMP accrued between 6 April 1988 and 5 April 1997	2.6%	2.25%	2.25%
- Excess pension over GMP and pension accrued after 5 April 1997	3.3%	3.0%	3.0%

In addition, standard actuarial mortality tables were used in the actuarial valuation prepared for the trustees. A lower discount rate was used due to the lower gross redemption yields on bonds.

The assets in the scheme and the expected rates of return are:

Long-term rate of return expected at 30 th June 2007:	2007	2007	2006	2006	2005	2005
	Rate %	Value £	Rate %	Value £	Rate %	Value £
Equities	7.5	1,164,790	7.5	1,338,324	8.0	1,096,250
Bonds (Including cash)	4.9	859,276	4.3	633,972	4.7	411,942
Property	6.5	<u>277,935</u>	6.5	<u>56,749</u>	6.5	<u>46,484</u>
		<u>2,302,001</u>		<u>2,029,045</u>		<u>1,554,676</u>

The Scheme administrators provided asset values and the overall Scheme cash details.

NEWNHAM COLLEGE

Notes to the Accounts - continued

20 (b) Cambridge Colleges Federated Pension Scheme (continued)

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

(see tables below and movement in deficit for the year)

	2007 £	2006 £	2005 £
Total market value of assets	2,302,001	2,029,045	1,554,676
Present value of scheme liabilities	<u>(2,601,110)</u>	<u>(2,451,359)</u>	<u>(2,019,668)</u>
(Deficit) in scheme	<u>(299,109)</u>	<u>(422,314)</u>	<u>(464,992)</u>

The main reasons for the improvement in the financial position are:

- Changes in the FRS17 assumptions over the period (the discount rate has increased from 4.9% to 5.4% which places a lower value on the liabilities, although this is partly offset by an increase in inflation rates);
- Contributions paid were more than required to meet the current one year pension cost; partially offset by:
- Scheme experience being slightly worse than assumed, possibly as a result of higher than expected increases in pensionable salaries

	2007 £	2006 £
Analysis of the amount charged to operating profit		
Current service cost	(109,477)	(103,514)
Life assurance premium	<u>(11,893)</u>	<u>(10,920)</u>
Total operating charge (see below)	<u>(121,370)</u>	<u>(114,434)</u>

Analysis of the amount credited to other finance income

Expected return on pension scheme assets	133,754	108,341
Interest on pension scheme liabilities	<u>(121,964)</u>	<u>(112,074)</u>
Net return (see below)	<u>11,790</u>	<u>(3,733)</u>

Analysis of the amount recognisable in a Statement of Total Recognised Gains and Losses (STRGL)

Actual return less expected return on pension scheme assets	(1,543)	155,459
Experience gains and losses arising on the scheme liabilities	(39,262)	12,857
Changes in assumptions underlying present value of scheme liabilities	<u>106,586</u>	<u>(194,147)</u>
Actuarial surplus / (deficit) recognisable in a STRGL (see below)	<u>65,781</u>	<u>(25,831)</u>

	2007 £	2006 £
Movement in deficit during the year:		
Deficit in scheme in beginning of the year	(422,314)	(464,992)
Movement in year:		
Current service cost including Life Assurance (see above)	(121,370)	(114,434)
Contributions (see above)	167,004	186,676
Past service costs	0	0
Other finance income (see above)	11,790	(3,733)
Actuarial surplus / (deficit) recognisable in the STRGL (see above)	<u>65,781</u>	<u>(25,831)</u>
Deficit in scheme at end of the year	<u>(299,109)</u>	<u>(422,314)</u>

History of experienced gains and losses: 2007 2006 2005 2004 2003

Difference between the expected and actual return on scheme assets:					
Amount	£(1,543)	£155,45	£36,009	£130,785	£(165,706)
Percentage of scheme assets at 31 March	0%	8.0%	2.0%	9.9%	-13.2%

Experienced gains and (losses) on scheme liabilities:					
Amount	£(39,262)	£12,857	£(57,723)	£(54,266)	£(22,860)
Percentage present value of scheme liabilities	-2.0%	1.0%	-3.0%	-3.0%	-1.4%

Total amount recognisable in a statement of total recognised gains and losses:

Amount	£65,781	£(25,831)	£(160,148)	£27,902	£(152,739)
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NEWNHAM COLLEGE

Notes to the Accounts - continued

21. EXCEPTIONAL ITEM

The College has for some years been involved in legal action with HM Revenue and Customs with regard to the VAT on the cost of construction of the new Library. This led to a hearing in the Court of Appeal which found unanimously in the College's favour. In the accounts of previous years the £893,099 VAT recovered up to April 2003 was held as a creditor in case it had to be refunded. Following the decision of the Court of Appeal further VAT totalling £425,408 was claimed and refunded to the College. This, together with the £893,099, was credited to the Income and Expenditure for 2005/6 as an exceptional item of £1,318,507.

22. CONTINGENT LIABILITIES

Library VAT

Although the College was successful in the Court of Appeal (see note 21) HM Revenue and Customs are appealing to the House of Lords. The College and its legal advisers believe this appeal will not be successful but a contingent liability exists of the £1,318,507 and interest thereon.