

Annual report and financial statements

for the year ended

31 July, 2006

Christ Church

OXFORD OX1 1DP

The accounts' index (if any), Responsibilities of the Governing Body, Statement of Principal Accounting Policies and Independent Auditors' Report have been omitted from this 150 dpi Akme scan.

**Christ Church
Members of the Governing Body**

Professor I.M.C. Tracey
Dr G. Wilkinson
Professor R.L. Davies
Professor J.I. Bell
Professor S.E. Randolph
Dr A.J. Clark
Professor J.G.E. Cross
Dr J.J. Davis
Dr G.A. Johnson
Professor C.B.R. Pelling
Dr P. Quattrone
Mrs R. Taylor
Dr B.W. Young
Professor N. Thrift
Dr J. Thanassoulis
Dr. M.C.A. Bose
Dr. J. Yee
Dr. M. New
Mr. J.C.F.S. Lawrie
Dr. A. Kuhn
Dr. S. J. Cragg
Dr. R. Wade-Martins

(resigned 12 June, 2006)

(appointed 1 August, 2005)
(appointed 1 January, 2006)
(appointed 27 March, 2006)
(appointed 1 October, 2006)
(appointed 1 October, 2006)

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Christ Church Report of the Governing Body

The Governing Body of Christ Church presents the annual report and financial statements for the year ended 31 July, 2006.

Status

Christ Church is a joint foundation - of a college in the University of Oxford and of the Cathedral Church of the Diocese of Oxford - supported by a single corporate endowment. The present collegiate foundation was established by King Henry VIII in 1546. Statutes were conferred by the Christ Church Oxford Act, 1867 and these, as modified subsequently by Oxford University Commissions and by Order of Her Majesty in Council, govern its affairs. The government of the foundation vests in the Governing Body formed of the Dean, certain of the Canons and the elected Students. Christ Church is an exempt charity under s. 3(5a) Charities Act 1993 (as listed in Schedule 2(b) to that Act).

Objective

Christ Church's objective is learning, through teaching and research, together with sustaining the Cathedral Church of the Diocese of Oxford, for which it maintains a choir with its related choir school.

Scope of financial statements

Christ Church is required to produce accounts annually in compliance with Statute XV of the University of Oxford. The financial statements consolidate the accounts of the constituent parts of Christ Church: the College, the Cathedral, Christ Church Cathedral School, Christ Church Library Services Limited and American Friends of Christ Church, Inc.

Review of operations and finance

The consolidated surplus for the year on the income and expenditure account was £514,642 (2005: £527,502) which reduces the deficit on the general reserve.

However, the surplus does not take account of costs of £1,157,037 incurred in the year on tangible fixed assets which have been capitalised. Had these costs been charged to the income and expenditure account the deficit for the year would have been £642,395.

The surplus is stated before a transfer from designated reserves to the general reserve of £977,600 for the cost of maintenance work identified as necessary last year and undertaken this year. Had this transfer been credited to the income and expenditure account the deficit of £642,395 would have become a surplus of £355,205.

Significant sums of money need to be spent on maintaining and improving facilities. The Development Campaign for Christ Church aims to contribute to this, as well as to secure funding for the long-term for academic posts critical to the continuation of the tutorial system.

A programme of utility infrastructure renewal has commenced and is expected to be completed in 2007. Some £722,356 was spent on this work in the year under review.

An average of historic market values of endowment assets is used to determine spending from the endowment, and this has the effect of smoothing short-term fluctuations. The prolonged and significant fall in equity market values which occurred during the period from 2000 to 2003 put additional pressure on finances although this has been ameliorated to some extent by the increase in endowment asset values seen during the last two years.

Investment performance

The market value of the endowment grew from £208.9 million to £227.8 million during the year, of which £1.8 million (2005: £1.7 million) is attributable to new contributions. The gross total return achieved before spending was 11.5 per cent. (2005: 17.5 per cent.).

Christ Church
Report of the Governing Body

The endowment is invested for the long term and it would be misleading to focus on one year's performance, particularly as ground still has to be made up to repair falls in value experienced in the period from 2000 to 2003.

During the year Christ Church, together with St. Catherine's College, Oxford and Balliol College, Oxford and certain professional fund managers established Oxford Investment Partners Limited (OXIP), a fund management company. At the year end the college held a 23 per cent. interest in the company.

Christ Church also invested £30 million during the year in OXIP's fund of funds, which is designed to achieve a real rate of return of five per cent. per annum over a five year period with a significantly lower volatility than conventional equity markets.

Reserves

The total of designated and general reserves at the year end amounted to a deficit of £97,970 (2005: £189,312). After allowing for the amount of designated reserves for special purposes, Christ Church has a deficit on the general reserve of £3,288,478 (2005: £4,358,886). The policy of the Governing Body is to pre-fund expenditure programmes and to establish a general reserve to cover a reasonable level of contingency, budget variances and working capital for operations. The target level for the general reserve is one-third of the higher of projected gross income or expenditure for the next financial year. It is hoped to eliminate the current deficit and establish the targeted reserve by achieving a surplus over a number of years.

Risk management

The major risks to which Christ Church is exposed, as identified by the Governing Body, have been reviewed during the year and systems have been established to mitigate these risks.

Approved by the Governing Body on 8 November, 2006

The Very Reverend Christopher Lewis - Dean

Christ Church
Consolidated income and expenditure account
Year ended 31 July, 2006

	Notes	2006 £	2005 £
Income			
Academic fees and tuition income	1	2,194,649	2,045,269
Other operating income	2	5,151,442	4,477,590
Cathedral: Chapter		239,641	138,626
Cathedral: School		1,118,328	1,062,772
Endowment return and interest receivable	3	8,126,678	7,971,065
Total income		<u>16,830,738</u>	<u>15,695,322</u>
Expenditure			
Staff costs	4	6,132,538	5,667,465
Other operating expenses		7,627,436	6,684,756
Cathedral: Chapter		758,933	825,677
Cathedral: School		1,390,595	1,347,876
College Contribution under Statute XV	7	515,485	522,750
Total expenditure	6	<u>16,424,987</u>	<u>15,048,524</u>
Total income, less total expenditure		<u>405,751</u>	<u>646,798</u>
Net (surplus) /deficit on specific endowments transferred to designated reserves		<u>108,891</u>	<u>(119,296)</u>
Surplus for the year	9	<u>514,642</u>	<u>527,502</u>

Consolidated statement of total recognised gains and losses
Year ended 31 July, 2006

	Notes	2006 £	2005 £
Reserves			
Surplus for the year	9	514,642	527,502
Net additions to reserves	10	(417,241)	(70,395)
		<u>97,401</u>	<u>457,107</u>
Endowments			
Income receivable from endowment asset investments	19	6,744,750	5,527,848
Appreciation of endowment asset investments	19	18,237,838	28,427,659
Endowment return transferred to income and expenditure account	19	(7,829,602)	(7,716,487)
Additions to endowments	19	1,786,582	1,741,646
		<u>18,939,568</u>	<u>27,980,666</u>
Other			
Net additions to deferred capital		1,000,000	-
Total recognised gains relating to the year		<u>20,036,969</u>	<u>28,437,773</u>
Opening reserves and endowments		208,707,491	180,269,718
Closing reserves and endowments		<u>228,744,460</u>	<u>208,707,491</u>

**Christ Church
Balance sheets
As at 31 July, 2006**

	Notes	Consolidated		College	
		2006 £	2005 £	2006 £	2005 £
Fixed assets					
Tangible assets	11	1,157,038	1	1,157,038	1
Investments	12	-	-	2	2
		<u>1,157,038</u>	<u>1</u>	<u>1,157,040</u>	<u>3</u>
Endowment asset investments					
Securities and cash deposits		147,246,780	129,421,195	145,255,072	127,645,533
Land and property		80,589,590	79,475,608	80,589,590	79,475,608
	13	<u>227,836,370</u>	<u>208,896,803</u>	<u>225,844,662</u>	<u>207,121,141</u>
Debtors:					
Amounts falling due after more than one year	15	617,900	752,889	4,456,931	4,579,355
Current assets:					
Stocks		343,413	331,927	343,413	331,927
Debtors	14	2,363,656	1,860,988	2,338,724	1,892,784
Investments and cash deposits		1,644,609	1,263,905	1,644,609	1,263,905
Cash at bank and in hand		1,922,738	2,320,842	1,909,833	2,169,064
		<u>6,274,416</u>	<u>5,777,662</u>	<u>6,236,579</u>	<u>5,657,680</u>
Creditors:					
Amounts falling due within one year	16	(6,281,756)	(5,744,687)	(6,195,327)	(5,649,006)
		<u>(7,340)</u>	<u>32,975</u>	<u>41,252</u>	<u>8,674</u>
Net current assets /(liabilities)					
		229,603,968	209,682,667	231,499,885	211,709,172
Total assets less current liabilities					
Creditors:					
Amounts falling due after more than one year	17	(859,508)	(975,176)	(859,508)	(975,176)
		<u>228,744,460</u>	<u>208,707,491</u>	<u>230,640,377</u>	<u>210,733,996</u>
Total net assets					
Deferred capital	18	1,000,000	-	1,000,000	-
Endowments					
Specific	19	61,541,534	52,653,051	59,549,826	50,877,389
General	19	166,294,836	156,243,752	166,294,836	156,243,752
		<u>227,836,370</u>	<u>208,896,803</u>	<u>225,844,662</u>	<u>207,121,141</u>
Reserves					
Designated reserves	20	3,196,508	4,169,574	3,196,508	4,169,574
General reserves	20	(3,288,418)	(4,358,886)	599,207	(556,719)
		<u>(91,910)</u>	<u>(189,312)</u>	<u>3,795,715</u>	<u>3,612,855</u>
Total funds		<u>228,744,460</u>	<u>208,707,491</u>	<u>230,640,377</u>	<u>210,733,996</u>

The financial statements were approved by the Governing Body of Christ Church on 8 November, 2006.

The Very Reverend Christopher Lewis
Dean

Mr. James Lawrie
Treasurer

Christ Church
Consolidated cash-flow statement
Year ended 31 July, 2006

	Notes	2006 £	2005 £
Net cash out-flow from operating activities	24	<u>(7,711,343)</u>	<u>(7,175,883)</u>
Returns on investments and servicing of finance			
Income from endowments received		6,692,952	5,527,848
Other income from investments and interest received		<u>319,143</u>	<u>233,625</u>
		7,012,095	5,761,473
Net cash in-flow from returns on investments and servicing of finance		<u>7,012,095</u>	<u>5,761,473</u>
Capital expenditure and financial investment			
Net (acquisition) of tangible fixed assets		(1,157,037)	-
Net realisation/(acquisition) of endowment asset investments		(493,982)	455,969
Additions to endowments		1,786,582	1,741,646
Net cash in-flow from capital expenditure and financial investment		<u>135,563</u>	<u>2,197,615</u>
Net cash in-flow (out-flow) before use of liquid resources and financing		<u>(563,685)</u>	<u>783,205</u>
Management of liquid resources	25	380,704	432,893
Financing	26	28,609	-
Increase/(decrease) in cash	27	<u>(154,372)</u>	<u>1,216,098</u>
Reconciliation of net cash out-flow to movement in net funds		£	£
Increase/(decrease) in cash for the year		(154,372)	1,216,098
Increase/(decrease) in liquid resources, current asset investments and cash deposits		380,704	(432,893)
Increase in debt		28,609	-
Change in net funds		<u>254,941</u>	<u>783,205</u>
Net funds at 1 August, 2005		17,808,983	17,025,778
Net funds at 31 July, 2006		<u>18,063,924</u>	<u>17,808,983</u>

Christ Church
Notes to the financial statements
Year ended 31 July, 2006

	2006	2005
1 Academic fees and tuition income		
	£	£
Tuition fees from UK and European Union students	1,782,982	1,700,848
Tuition fees from overseas students	167,343	147,234
Other fees	43,319	42,010
Other tuition income	201,005	155,177
	<u>2,194,649</u>	<u>2,045,269</u>

The above analysis includes fee income in respect of UK and European Union publicly-funded students amounting to £1,536,209 (2005: £1,524,039).

	2006	2006	2005	2005
2 Other operating income				
	£	£	£	£
Residential income from College members		1,937,802		1,848,679
Conference and function income		1,841,847		1,383,048
Grants and donations		497,178		434,671
Other income				
Admission charges and facility fees	745,375		728,880	
Other	129,240	874,615	82,312	811,192
		<u>5,151,442</u>		<u>4,477,590</u>

	2006	2005
3 Endowment return and interest receivable		
	£	£
Transfer from general endowments (note 19)	5,785,822	5,774,177
Transfer from specific endowments (note 19)	2,021,713	1,963,263
Interest receivable	319,143	233,625
	<u>8,126,678</u>	<u>7,971,065</u>

The transfer from specific endowments includes £647,945 (2005: £635,877) in respect of trust funds for purposes that lie outside the objects of Christ Church.

	£	£
4 Staff costs		
Gross pay	4,916,288	4,567,215
Social security costs	365,227	340,248
Other pension costs	570,258	486,739
Other benefits	280,765	273,263
	<u>6,132,538</u>	<u>5,667,465</u>

5 Pension schemes and liabilities

The three pension schemes for Christ Church's staff are the Universities Superannuation Scheme ("USS"), the University of Oxford Staff Pension Scheme ("OSPS") and the Church of England Funded Pension Scheme ("COEFPS"). The schemes are contributory, are contracted out from the State Earnings Related Pension Scheme, and provide benefits based on length of service and final pensionable salary. The assets of the three schemes are each held in separate trustee-administered funds. The schemes are periodically valued by qualified actuaries using the projected unit method; in addition the 2004 OSPS embraced a market value approach. The levels of contribution take account of any actuarial surpluses or deficiencies in each scheme. The assumptions and other data that had the most effect on the determination of the contribution levels are as follows:

	USS	OSPS	COEFPS
Date of latest actuarial valuation	2005	2004	2003
Investment returns per annum (in relation to past service liabilities)	4.5 per cent.	6.95 per cent.	6.8 per cent.
Investment returns per annum (in relation to future service liabilities)	6.2 per cent.	6.95 per cent.	6.8 per cent.
Salary increases per annum	3.90 per cent.	4.4 per cent.	3.8 per cent.
Pension increases per annum	2.90 per cent.	3.0 per cent.	3.8 per cent.
Market value of assets at latest actuarial valuation	£21,740m	£167m	£196m
Proportion of accrued benefits covered by the actuarial value of these assets	77 per cent.	101 per cent.	68 per cent.

The total of all recorded employer's pension contribution costs was £625,135 (2005: £655,934).

USS, OSPS and COEFPS are multi-employer schemes where the share of assets and liabilities applicable to each employer is not identified. The College therefore accounts for its pension costs for each scheme on a defined contribution basis as permitted by FRS 17.

USS

The latest actuarial valuation was as at 31 March, 2005. At that date the value of the assets of the scheme was £21,740 million and the value of past service liabilities was £28,308 million, indicating a deficit of £6,568 million. The assets were therefore sufficient to cover 77 per cent. of the benefits which had accrued to members after allowing for expected future increases in earnings.

Using the Minimum Funding Requirement prescribed by assumptions introduced by the Pensions Act, 1995 the scheme was 126 per cent. funded at the valuation date and under the Pension Protection Fund regulations introduced by the Pension Act, 2004 it was 110 per cent. funded.

The employer's contribution rate required for future service benefits alone at the valuation date was 14.3 per cent.. However, the trustee company, on the advice of the scheme actuary, have maintained the employer's contribution rate at the existing level of 14 per cent..

The pensions charge in respect of USS recorded by the College during the accounting period was £227,907 (2005: £214,190) and was based on the actuarially required long-term rate of 14.3 per cent.. Contributions payable during the accounting period were in accordance with the statutory schedule of contributions agreed with the actuary and amounted to £223,126 (2005: £214,190).

OSPS

The actuarial valuation for OSPS as at 31 July, 2001 identified a required long-term employer contribution rate of 16.4 per cent.. The OSPS introduced increases to the employer contribution rate in accordance with the statutory schedule of employer contributions.

Contributions were increased to 13.75 per cent. for the year ended 31 July, 2005, and to 17.5 per cent. from 1 August, 2005.

The actuarial valuation as at 31 July, 2004 identified a required long-term employer contribution rate of 15.8 per cent. and a funding deficit of £51.3m. To address the deficit the employer's contribution rate will remain at 17.5 per cent. until 31 July, 2008 and then increase to 21.5 per cent., subject to any revision arising from the next actuarial valuation due as at 31 July, 2007.

The pensions charge in respect of OSPS recorded by the College during the accounting period was £292,443 (2005: £317,892) and was based on the actuarially required long-term rate of 15.8 per cent.. Contributions payable during the accounting period were in accordance with the statutory schedule of contributions agreed with the actuary and amounted to £326,528 (2005: £267,086).

COEFPS

The actuarial valuation for COEFPS as at 31 December, 2003 identified a funding deficit of £9million. To address the deficit the employer's contribution was increased from 29.5 per cent. to 33.8 per cent. with effect from 1 April, 2005.

The contributions payable to COEFPS by the College during the accounting period were equal to 33.8 per cent. of total pensionable salaries. The pensions charge recorded by the College during the accounting period was equal to the contributions payable and amounted to £5,985 (2005: £5,323).

RBS and College pensions

With effect from 31 May, 2001 the pension scheme previously used to provide benefits to staff of Christ Church, the Christ Church Staff Retirement Benefits Scheme ("RBS"), was closed to new members and existing members ceased to accrue further benefits. Both new members of staff and existing members of RBS were offered membership of OSPS and members of RBS with retained benefits within RBS were offered the opportunity to transfer these benefits to OSPS.

During the course of 2005 the RBS liabilities were transferred to Legal & General Assurance Society Limited under a buy-out agreement through which deferred annuities were purchased for all remaining members of the scheme. The RBS is now in the process of being wound up.

Christ Church also has an obligation to provide for pensions payable to certain former members of staff who retired before RBS was established ("College pensions").

The major assumptions used were:

	2006	2005
Discount rate	5.0 per cent. per annum	5.0 per cent. per annum
Inflation	3.1 per cent. per annum	2.7 per cent. per annum
Pension increases - RBS	3.0 per cent. per annum	3.0 per cent. per annum
- College pensions	3.0 per cent. per annum	2.7 per cent. per annum

Christ Church
Notes to the financial statements
Year ended 31 July, 2006

RBS

In RBS the fair value of the assets held and the expected rate of return were:-

	2006		2005	
	Long-term expected return per cent.	Value £	Long-term expected return per cent.	Value £
Cash	4.00	1,200	4.00	36,223
Legal & General	5.10	979,316	5.00	920,284
		<u>980,516</u>		<u>956,507</u>
Present value of scheme liabilities		(979,316)		(920,284)
Surplus in the scheme		1,200		36,223
Net pension asset		<u>1,200</u>		<u>36,223</u>

Analysis of the amount charged to income and expenditure account

	2006 £	2005 £
Settlement	-	476,891
Total operating charge	<u>-</u>	<u>476,891</u>

Analysis of the amount credited to other finance income

	£	£
Expected return on pension scheme assets	47,634	55,098
Interest on pension scheme liabilities	(46,014)	(58,277)
Net return	<u>1,620</u>	<u>(3,179)</u>

Movement in surplus/(deficit) during the year

Surplus/ (deficit) in scheme at beginning of the year	36,223	(174,976)
Movement in year:		
Settlement	-	(476,891)
Contributions	-	765,000
Other finance expense	1,620	(3,179)
Actuarial loss recognised in Statement of total recognised gains and losses	(36,643)	(73,731)
Surplus in scheme at end of the year	<u>1,200</u>	<u>36,223</u>

Amount recognised in the Statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	(23,625)	54,849
Experience losses arising on the scheme liabilities	(84)	(24,800)
Changes in assumptions underlying the present value of the scheme liabilities	(12,934)	(103,780)
Actuarial loss recognised in Statement of total recognised gains and losses	<u>(36,643)</u>	<u>(73,731)</u>

Christ Church
Notes to the financial statements
Year ended 31 July, 2006

History of experience gains and losses

	2006	2005
Difference between actual and expected returns on asset amounts	(23,625)	£54,849
Percentage of scheme assets	-5.7 per cent.	5.7 per cent.
Experience gains and losses on liabilities	(84)	(24,800)
Percentage of scheme liabilities	-0.01 per cent.	-2.7 per cent.
Total amount recognised in Statement of total recognised gains and losses	(£36,643)	(£24,800)
Percentage of scheme liabilities	<u>-3.7 per cent.</u>	<u>8.0 per cent.</u>

College pensions

Total market value of assets		£
Index-linked gilts		1,028,999
Present value of College pension liabilities		<u>1,028,999</u>
The total of £964,508 in respect of pension liabilities is made up as follows:		£
OSPS: to reflect the long-term funding rate		126,480
USS: to reflect the long-term funding rate		4,781
College pensions:		
Liability	1,028,999	
Less: excess of market value over book value of hedging assets	<u>(195,752)</u>	833,247
		<u>964,508</u>

Of this total, £105,000 is included in the balance sheets as a current liability.

6 Analysis of expenditure

	Staff costs	Other operating expenses	Total	Total
	£	£	£	£
Academic	2,348,254	755,796	3,104,050	2,846,684
Residences, catering and conferences	2,181,941	2,114,036	4,295,977	3,301,164
Premises	582,373	1,884,415	2,466,788	1,986,899
College administration	296,934	155,985	452,919	448,476
Endowment expenses and management	27,569	1,539,061	1,566,630	1,919,812
Fundraising	233,555	132,335	365,890	324,079
Other	461,912	1,045,808	1,507,720	1,525,107
	<u>6,132,538</u>	<u>7,627,436</u>	<u>13,759,974</u>	<u>12,352,221</u>
Cathedral: Chapter			758,933	825,677
Cathedral: School			1,390,595	1,347,876
College Contribution under Statute XV			515,485	522,750
Total expenditure			<u>16,424,987</u>	<u>15,048,524</u>

Total expenditure includes expenditure of £772,458 (2005: £603,600) from trust funds for purposes that lie outside the objects of Christ Church.