

The Queen's College
Financial Statements
for the year ended 31 July 2006

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.

THE QUEEN'S COLLEGE, OXFORD

Report of the Governing Body

The Governing Body of The Queen's College presents the annual report and financial statements for the year ended 31 July 2006.

Status

The Queen's College is an eleemosynary chartered charitable corporation aggregate. It was founded, under licence granted 18 January in the year 1341 by King Edward the Third, by Robert de Eglesfield, Clerk, Chaplain to Queen Philippa. The corporation comprises the Provost and Scholars of The Queen's College in the University of Oxford. The College is an exempt charity under s3(5a) Charities Act 1993 (as listed in Schedule 2(b) to that Act).

Objects

The College exists to provide and promote undergraduate and graduate education within the University of Oxford, and also to provide and promote university academic research. Within these Objects, the College also has various permanently endowed trust funds held for special purposes in connection with the development of College facilities and for scholarships, bursaries, prizes and other educational purposes.

Governance

The Governing Body of the College comprises the Provost and those Fellows of the College qualified for membership under the provisions of its Statutes. This body is constituted and regulated in accordance with the College Statutes, the terms of which are enforceable ultimately by the Visitor, the Archbishop of York. The College Statutes are as made from time to time by order of Her Majesty in Council in accordance with the Royal Charter of 1341 and the Universities of Oxford and Cambridge Act 1923. The Governing Body holds to itself responsibilities for the strategic direction of the College, for its administration and for the management of its finances and assets.

Review of operations and finance

The College ran a deficit of £755,411 which was partially offset by a profit of £472,668 on the disposal of fixed assets (2005: Deficit £461,561). This deficit is being addressed by a combination of cutting costs, raising income and seeking additional endowment. Nevertheless, the College is likely to run some deficit for a number of years before moving back into surplus. There are no other particular aspects to which we wish to draw attention this year.

Investment performance

In order to sustain the College's general level of activity into the future, the College has set itself the target of growing the endowment by 2% in real terms per annum. The Governing Body calculates the sustainable income that may be drawn from endowment in a manner that is consistent with this policy. Over the last year, a share in the College's endowment pool produced a total return of 17.7% nominal (14.4% real). The capital value grew by 15.1% nominal (11.8% real). Over the past three years, the total return averaged 16.9% nominal (13.8% real), and the capital growth averaged 14.2% nominal (11.1% real).

Reserves

The balance on reserves at the year end amounted to £5,262,590 (2005: £5,427,877). After allowing for the amounts invested in fixed assets and designated reserves for special purposes, the College's general reserve was £541,412 (2005: £779,936). The College seeks to maintain the general reserve at a level that will meet any short-term requirements. This is achieved by transfers to and from General Endowment.

Risk management

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

Approved by the Estates and Finance Committee of the Governing Body of The Queen's College on 29 November 2006.

A.P. Budd
Provost

THE QUEEN'S COLLEGE, OXFORD
Income and Expenditure Account
Year ended 31 July 2006

	Notes	2006 £	2005 £
INCOME			
Academic fees and tuition income	1	1,449,821	1,419,453
Other operating income	2	1,882,402	1,827,788
Endowment return and interest receivable	3	2,025,847	2,101,691
Total income		<u>5,358,070</u>	<u>5,348,932</u>
EXPENDITURE			
Staff costs	4	3,412,606	3,282,504
Depreciation		165,592	160,923
Other operating expenses		2,264,774	2,082,938
Interest payable		0	74
Contribution under Statute XV		270,509	284,054
Total expenditure	6	<u>6,113,481</u>	<u>5,810,493</u>
Deficit for the year on continuing operations before taxation and disposal of fixed assets		-755,411	-461,561
Profit on disposal of fixed assets		472,668	0
Deficit for the year		<u>-282,743</u>	<u>-461,561</u>

Statement of total recognised gains and losses
Year ended 31 July 2006

	Notes	2006 £	2005 £
Reserves			
Deficit for the year		-282,743	-461,561
Endowments			
Income receivable from endowment asset investments	12	1,801,599	1,981,592
Endowment return transferred to income and expenditure account	12	-2,025,847	-2,101,691
Appreciation of endowment asset investments	12	16,666,711	17,469,046
New endowments received	12	783,452	95,326
Total recognised gains relating to the year		<u>16,943,172</u>	<u>16,982,712</u>
Opening reserves and endowments		113,729,404	96,746,692
Closing reserves and endowments		<u>130,672,576</u>	<u>113,729,404</u>

THE QUEEN'S COLLEGE, OXFORD
 Balance Sheet
 As at 31 July 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	7	4,721,178	4,647,941
Endowment asset investments			
Securities and cash deposits		84,467,827	72,013,227
Land and property		44,942,160	40,288,300
	8	<u>129,409,987</u>	<u>112,301,527</u>
Financed by loans	11	<u>-4,000,000</u>	<u>-4,000,000</u>
		<u>125,409,987</u>	<u>108,301,527</u>
Current assets:			
Stocks		421,351	411,952
Debtors	9	892,299	694,376
Cash at bank and in hand		410,123	817,609
		<u>1,723,773</u>	<u>1,923,937</u>
Creditors:			
Amounts falling due within one year	10	-1,182,362	-1,144,001
		<u>541,411</u>	<u>779,936</u>
Net current assets		<u>541,411</u>	<u>779,936</u>
		<u>130,672,576</u>	<u>113,729,404</u>
TOTAL NET ASSETS			
Endowments			
Specific		28,525,255	24,480,022
General		96,884,732	83,821,505
	12	<u>125,409,987</u>	<u>108,301,527</u>
Reserves			
General reserves		5,262,589	5,427,877
	13	<u>5,262,589</u>	<u>5,427,877</u>
		<u>130,672,576</u>	<u>113,729,404</u>
TOTAL FUNDS		<u>130,672,576</u>	<u>113,729,404</u>

The financial statements were approved by the Estates and Finance Committee of the Governing Body of The Queen's College on 29 November 2006.

A. P. Budd
 Provost

P. D. McLeod
 Estates Bursar

THE QUEEN'S COLLEGE, OXFORD
Cash Flow Statement
Year ended 31 July 2006

	Note	2006 £	2005 £
Net cash outflow from operating activities	19	<u>-2,784,627</u>	<u>-2,228,037</u>
Returns on investments and servicing of finance			
Income from endowments received		2,008,608	2,197,046
Interest paid		-207,009	-215,454
Net cash inflow from returns on investments and servicing of finance		<u>1,801,599</u>	<u>1,981,592</u>
Capital expenditure and financial investment			
Acquisition of tangible fixed assets		-253,079	-41,708
Disposal of tangible fixed assets		486,918	0
Net acquisition of endowment asset investments		2,164,537	-1,819,157
Endowments received		783,452	95,326
Net cash inflow / (outflow) from capital expenditure and financial investment		<u>3,181,828</u>	<u>-1,765,539</u>
Net cash inflow / (outflow) before use of liquid resources and financing		2,198,800	-2,011,984
Management of liquid resources	20	-2,606,286	2,615,785
(Decrease) / increase in cash	21	<u>-407,486</u>	<u>603,801</u>
Reconciliation of net cash flow to movement in net debt	21		
(Decrease) / increase in cash for the year		-407,486	603,801
Increase / (decrease) in liquid resources		2,606,286	-2,615,785
Change in net debt		<u>2,198,800</u>	<u>-2,011,984</u>
Net debt at beginning of year		-2,068,626	-56,642
Net debt at end of year		<u>130,174</u>	<u>-2,068,626</u>

THE QUEEN'S COLLEGE, OXFORD
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	1,298,593	1,255,362
Tuition fees from overseas students	135,885	143,246
Other fees	0	0
Other tuition income	15,343	20,845
	<u>1,449,821</u>	<u>1,419,453</u>

The above analysis includes fee income in respect of UK and European Union publicly funded students amounting to £1,221,072 (2005: £1,166,413).

	£	£
2 OTHER OPERATING INCOME		
Residential income from college members	1,306,646	1,321,681
Conference income	442,033	442,576
Other charges for services	104,915	41,932
Other income	28,808	21,599
	<u>1,882,402</u>	<u>1,827,788</u>

	£	£
3 ENDOWMENT RETURN AND INTEREST RECEIVABLE		
Transferred from specific endowments (note 12)	645,823	564,174
Transferred from general endowments (note 12)	1,380,024	1,537,517
	<u>2,025,847</u>	<u>2,101,691</u>

	£	£
4 STAFF COSTS		
Gross pay	2,861,821	2,783,947
Social Security costs	201,372	190,374
Other pension costs	299,684	262,749
Other benefits	49,729	45,434
	<u>3,412,606</u>	<u>3,282,504</u>

It is standard accounting practice to disclose further information relating to staff numbers and analyses of remuneration for higher paid employees. This information has not been included due to the particular difficulty of presenting meaningful data for staff jointly employed by the University and colleges.

5 PENSION SCHEMES

The College participates in two principal pension schemes for its staff - the Universities Superannuation Scheme ('USS') and the University of Oxford Staff Pension Scheme ('OSPS'). Both schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and final pensionable salary), and are contracted out from the State Second Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. Both schemes are multi-employer schemes and the College is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis. Therefore, as required by the accounting standard FRS17 "Retirement Benefits", the College accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

The Schemes are periodically valued by qualified actuaries. Both USS and OSPS were valued using the "projected unit" method, embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficiencies in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The assumptions which have the most significant effect on the result of the latest valuations and the determination of the contribution levels were those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salaries and pensions, as follows:

USS

The latest actuarial valuation of the scheme was at 31 March 2005. It was assumed that salary increases would be 3.9% per annum (plus an additional allowance for increases in salary due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to past service liabilities it was assumed that the valuation rate of return would be 4.5% per annum, and in relation to 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.

OSPS

The latest actuarial valuation of the scheme was at 31 July 2004. It was assumed that salary increases would be 4.4% per annum and pensions would increase by 3.0% per annum. It was assumed that the valuation rate of interest would be 6.95% per annum in relation to the period up to retirement and 4.95% per annum in relation to the period after retirement.

	USS	OSPS
Date of valuation:	31/03/2005	31/07/2004
Value of past service liabilities	£28,308 m	£218 m
Value of assets	£21,740 m	£167 m
Funding (Deficit)	(£6,568) m	(£51) m
Funding Ratios:		
Scheme valuation basis	77%	76%
Statutory minimum funding requirement basis	126%	110%
Statutory pension protection fund basis	110%	n/a
Recommended Employer's contribution rate (as % of pensionable salaries):	14%	17.5%

Note:

The latest OSPS valuation was carried before the statutory pension protection fund basis was implemented.

5 PENSION SCHEMES (Continued)

USS

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of total pensionable salaries but the Trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of total pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. 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 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 be otherwise recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. There will also be an actuarial valuation carried out as at 31 March 2006 and annually thereafter on the "technical provisions" basis under the Pensions Act 2004, as required by the Occupational Pensions Schemes (Cross-Border Activities) Regulations 2005, reflecting the scheme's status as a cross-border scheme. The contribution rate will be reviewed as part of each valuation.

The contributions payable by the College during the accounting period were equal to 14% of total pensionable salaries, in accordance with the decision of the trustee company. The pension charge recorded by the College during the accounting period was equal to the contributions payable of £161,538 (2005: £154,844).

OSPS

The actuarial valuation as at 31 July 2004 identified a required long-term employer contribution rate of 15.8% of total pensionable salaries, but also a funding deficit of £51.3m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by maintaining the employer contribution rate at the previously agreed rate of 17.5% until 31 July 2008, at which time it is expected to increase to 21.5%, subject to any revision resulting from the next triennial actuarial valuation of the scheme due as at 31 July 2007.

The contributions payable by the College during the accounting period were equal to 17.5% of total pensionable salaries (2005: 13.75%), in accordance with the agreement between the University and the trustees. The pension charge recorded by the College during the accounting period was equal to the contributions payable of £138,146 (2005: £107,905).

FRS17

Both the schemes in which the College participates are multi-employer schemes where the share of assets and liabilities applicable to each employer are not identified. The College therefore accounts for all its pension costs on a defined contribution basis as permitted by FRS17.

THE QUEEN'S COLLEGE, OXFORD
Notes to the Financial Statements
Year ended 31 July 2006

6 ANALYSIS OF EXPENDITURE

	Staff costs	Depreciation	Other operating expenses	2006 Total	2005 Total
	£	£	£	£	£
Academic	1,500,900	0	454,047	1,954,947	1,908,141
Residences, catering and conferences	1,104,443	7,720	844,327	1,956,490	1,929,379
Premises	236,398	150,894	521,288	908,580	786,290
College administration	314,957	4,415	80,161	399,533	387,563
Endowment management	112,309	0	243,846	356,155	271,366
Fundraising	63,491	2,563	49,294	115,348	120,830
Other	80,108	0	71,811	151,919	122,776
	<u>3,412,606</u>	<u>165,992</u>	<u>2,264,774</u>	<u>5,842,972</u>	<u>5,526,365</u>
Interest payable				0	74
Contribution under Statute XV				270,509	284,054
Total expenditure				<u>6,113,481</u>	<u>5,810,493</u>
Other operating expenses include auditors' remuneration:					
in respect of the audit of these financial statements				11,000	10,600
in respect of other services				<u>2,937</u>	<u>0</u>

The above analysis includes expenditure in respect of UK and European Union students met by publicly funded fee income amounting to £1,221,072 (2005: £1,166,413).

THE QUEEN'S COLLEGE, OXFORD
Notes to the Financial Statements
Year ended 31 July 2006

7 TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Equipment £	Total £
Cost			
At start of year	6,186,390	158,282	6,344,672
Additions	172,831	80,248	253,079
Disposals	-8,050	-33,006	-41,056
At end of year	<u>6,351,171</u>	<u>205,524</u>	<u>6,556,695</u>
Depreciation			
At start of year	1,620,054	76,677	1,696,731
Charge for period	135,408	30,184	165,592
On disposals	0	-26,806	-26,806
At end of year	<u>1,755,462</u>	<u>80,055</u>	<u>1,835,517</u>
Net book value			
At end of year	<u>4,595,709</u>	<u>125,469</u>	<u>4,721,178</u>
At start of year	<u>4,566,336</u>	<u>81,605</u>	<u>4,647,941</u>

8 ENDOWMENT ASSET INVESTMENTS

	Securities & cash £	Land & property £	Total £
At market value			
At start of year	72,013,227	40,288,300	112,301,527
Purchases at cost	11,556,958	0	11,556,958
Sales proceeds	-9,736,795	-1,378,414	-11,115,209
Revaluation gains	10,634,437	6,032,274	16,666,711
At end of year	<u>84,467,827</u>	<u>44,942,160</u>	<u>129,409,987</u>
Analysed as			
Equities (listed)	74,307,053		
Unlisted securities	6,440,722		
Short Term deposits	3,720,051		
	<u>84,467,826</u>		
Historical cost at end of year	<u>63,662,721</u>		

A formal independent valuation of the estates land and property was carried out at 31 July 2002 by Chartered Surveyors, with annual updates up to and including 31 July 2006.

9 DEBTORS

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	36,931	56,796
Amounts owed by College members	191,957	164,670
Loans	42,006	39,025
Prepayments and accrued income	276,874	131,969
Amounts falling due after more than one year		
Loans	344,531	301,916
	<u>892,299</u>	<u>694,376</u>

THE QUEEN'S COLLEGE, OXFORD
Notes to the Financial Statements
Year ended 31 July 2006

10 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Trade creditors	284,299	254,384
College Contribution	346,647	284,054
Other taxation and social security	137,923	313,145
Accruals and deferred income	208,291	130,647
Other creditors	205,202	161,771
	<u>1,182,362</u>	<u>1,144,001</u>

11 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	£	£
Bank loan	<u>4,000,000</u>	<u>4,000,000</u>

The loan was taken out to purchase endowment asset investments and is unsecured. In September 2006 it was repaid and replaced by a similar loan from Handelsbanken NV. Interest was charged at 0.5% above LIBOR. Interest on the new loan is charged at 0.25% above LIBOR.

12 ENDOWMENTS

	Specific	General	Total
	£	£	£
At start of year	24,480,022	83,821,505	108,301,527
Endowments received	361,578	421,874	783,452
Appreciation of endowment investments	3,907,903	12,758,808	16,666,711
Income receivable from endowment asset investments	421,575	1,380,024	1,801,599
Transferred to income and expenditure account (note 3)	-645,823	-1,380,024	-2,025,847
Transfer to reserves	0	-117,455	-117,455
At end of year	<u>28,525,255</u>	<u>96,884,732</u>	<u>125,409,987</u>

Endowments comprise those funds which are regarded as for the long term and which fundamentally underpin and sustain the operation of the College at its desired level of activity.

Specific Endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity.

General Endowments represent the corporate capital of the College and include bequests and gifts where the use of the capital and income, or only the income is for the general purposes of the College. General Endowments include funds of £5,092,000 (2005: £4,197,000)

Specific endowments include funds valued at £109,000 (2005: £95,000) which provide income for purposes that lie outside the objects of the College. Income arising amounted to £2,000 (2005: £2,000).

Specific endowments include expendable balances of £370,000 (2005: £318,000)

THE QUEEN'S COLLEGE, OXFORD
Notes to the Financial Statements
Year ended 31 July 2006

13 RESERVES

GENERAL RESERVES

	£	
At start of year		5,427,877
Deficit from income and expenditure account		-282,743
Transfer from endowment		117,455
At end of year		<u>5,262,589</u>
	2006	2005
	£	£
Representing:		
Undepreciated cost of tangible fixed assets financed out of general reserve	4,721,178	4,647,941
College general reserve	541,411	779,936
	<u>5,262,589</u>	<u>5,427,877</u>

14 CAPITAL COMMITMENTS

	£	£
Commitments contracted at 31 July	<u>4,077,000</u>	<u>0</u>

The College has entered into contracts to improve the student accommodation at its Queens Lane Quadrangle site. The total value of the contract is around £4,250,000 of which £173,000 was incurred prior to 31 July 2006.

15 FINANCIAL COMMITMENTS

At 31 July 2006 the College had no annual commitments under non-cancellable operating leases.

16 POST BALANCE SHEET EVENTS

In September 2006 the College repaid its £4,000,000 loan from the Royal Bank of Scotland and replaced it with a similar loan from Handelsbanken NV. Interest is charged at 0.25% above LIBOR. The loan carries the facility to draw a further £4,000,000 which will initially be used to fund the building contracts referred to above.

17 CONTINGENT LIABILITIES

None.

18 RELATED PARTY TRANSACTIONS

None.

19 RECONCILIATION OF OPERATING DEFICIT TO NET CASH
OUTFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Deficit for the year	-282,743	-461,561
Depreciation	165,592	160,923
Profit on disposal of assets	-472,668	0
Endowment income and interest receivable	-2,025,847	-2,101,691
Increase in stocks	-9,399	11,393
Increase in debtors	-197,923	-43,073
Increase in creditors	38,361	205,972
	<u>-2,784,627</u>	<u>-2,228,037</u>

THE QUEEN'S COLLEGE, OXFORD
Notes to the Financial Statements
Year ended 31 July 2006

20 MANAGEMENT OF LIQUID RESOURCES	2006		2005
	£		£
Net increase / (decrease) in deposits	<u>2,606,286</u>		<u>(2,615,785)</u>
21 ANALYSIS OF CHANGES IN NET FUNDS	2006	Changes	2005
	£	£	£
Cash at bank and in hand	410,123	-407,486	817,609
Short term deposits	3,720,051	2,606,286	1,113,765
	<u>4,130,174</u>	<u>2,198,800</u>	<u>1,931,374</u>
Debt due after 1 year	-4,000,000	0	-4,000,000
	<u>130,174</u>	<u>2,198,800</u>	<u>-2,068,626</u>