



MAGDALENE COLLEGE
CAMBRIDGE

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

MAGDALENE COLLEGE, CAMBRIDGE
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2018

Contents	Page
Fellowship	2
Principal Officers and Professional Advisers	5
Report of the Governing Body	6
Statement of Public Benefit	12
Statement of Internal Control	15
Responsibilities of the Governing Body	16
Independent Auditors' Report to the Governing Body	17
Statement of Principal Accounting Policies	19
Consolidated Statement of Comprehensive Income and Expenditure	24
Statement of Changes in Reserves	25
Consolidated Balance Sheet	26
Consolidated Statement of Cash Flows	27
Notes to the Financial Statements	28

MAGDALENE COLLEGE, CAMBRIDGE
FELLOWSHIP
YEAR ENDED 30 JUNE 2018

FELLOWSHIP

Governing Body (Trustees of the charity)

Lord R Williams, PC, DD (Hon), DCL, FBA
Professor M A Carpenter, ScD
Professor H A Chase, ScD, FEng
J R Patterson, MA, PhD
M E J Hughes, MA, PhD
Professor T Spencer, MA, PhD
B J Burchell, MA and PhD (Warwick)
S Martin, MA, PhD
K Patel, MA, MSc and PhD (Essex)
Professor T N Harper, MA, PhD
N G Jones, MA, LL.M., PhD
Professor H Babinsky, MA and PhD (Cranfield)
Professor P Dupree, MA, PhD
S K F Stoddart, MA, PhD
T A Coombs, MA, PhD
H Azérad, MA, PhD
A L Hadida, MA, PhD
C S Watkins, MA, MPhil, PhD
A L Du Bois-Pedain, MJur (Oxon)
S C Mentchen, MA
S J Morris, BA (Newcastle), FCA, IPFA
R M Burnstein, MB, BS, PhD
G P Pearce, MA, PhD
C Brassett, MB, BChir, MChir, FRCS
M J Waithe, MA (Leeds), PhD
C D Lloyd, MA (Kent)
R L Roebuck, BA, MEng, PhD
Professor A K Bennison, BA, PhD (London)
L C Skinner, BSc, MPhil, PhD
E So, MEng, PhD, CEng
A J W Thom, MA, MSci, PhD
W T Khaled, MA, PhD
A Ercole, BA, MA, PhD, PG Dipl, MB BChir, FRCA
A Kogan, PhD (Hong Kong) (until 30 September 2018)
T G Euser, PhD, MSc (Twente)
J M Munns, MA (Durham), MPhil (Bristol), PhD, FRSA
The Revd N Widdows, MEng (Oxon), CA, MA (Bristol) (until 7 September 2018)
E J Howell, LLB, LL.M., DPhil
S A Bacallado, PhD
Professor S Dubow, BA (Hons), DPhil (Oxon)
S J Eglen, DPhil
F Livesey, BSc (Cork), Dip Comp Sci, MPP (Harvard), PhD (from 1 October 2017)
N R Carroll, MA, MB, BChir (from 1 October 2017)
J J Orr, PhD (from 1 June 2018)
The Revd S Atkins, MA (from 3 September 2018)

Emeritus Fellows

Professor P J Grubb, ScD
R Hyam, LittD
P E Reynolds, ScD
Professor J E Field, OBE, PhD, FRS
His Honour C F Kolbert, MA, PhD
Professor N Boyle, LittD, FBA

MAGDALENE COLLEGE, CAMBRIDGE
FELLOWSHIP (*continued*)
YEAR ENDED 30 JUNE 2018

Emeritus Fellows continued

Professor R J S Spence, MA, PhD
R Lockett, MA, PhD
Professor E Duffy, DD, FBA
Professor N Rushton, MD
Professor H A Chase, ScD, FREng

Research Fellows

J J Sbierski, MAST, PhD (until 31 December 2017)
S Caddy, PhD
M Haussler, BA (London), MPhil (until 30 September 2018)
F Exeler, PhD (Princeton), MA (Princeton), MA (Humboldt)
J Hone, MA (Exon), MA, DPhil (Oxon)
R L Z Hoyer, BE(Hons), PhD (Cantab)
O F R Haardt, PhD (from 1 October 2017)
P A Haas, PhD (from 1 October 2017)

Senior Research Fellows

J D Coull, MA, MEng, PhD
P M Steele, BA, MPhil, PhD
C N Spottiswood, BSc, PhD
Professor J R Raven, MA, PhD
B Seymour, BSc, MB, PhD
M Ubiali, PhD (Edinburgh) (until December 2017)
A P Coutts, BSc, MSc, PhD
A Neumann, MA, PhD (from 1 October 2017)

Life Fellows

M D Billinge, MA, PhD
J D Lewins, MA, PhD, DSc (Eng) (London)
Professor W R Cornish, Hon QC, LL.D, FBA
A R Thompson, MBE, MA, MPhil
Professor T H Clutton-Brock, ScD, FRS
S Halper, PhD
Professor E H Cooper, LittD, FBA
Professor T A J Cockerill, MA, MPhil (Leeds), PhD (Manchester)
Professor E Rothschild, CMG, MA
M Hughes, MB, BChir, PhD

Bye-Fellows

L Foxcroft, BA, MPhil, PhD (until 30 September 2017)
N A Miller, MA, PhD (until 30 September 2017)
I Georgakopoulos-Soares (until 30 September 2017)
J Woodall, MA (Oxon) (from 1 October 2017)
F Hadi, (from 1 October 2017 until 30 September 2018)
N Makarchev, (from 1 October 2017 until 30 September 2018)
L Masuda-Nakagawa, PhD (Tokyo) (from 25 January 2018)
F Schuery, MA (from 25 January 2018)

MAGDALENE COLLEGE, CAMBRIDGE
FELLOWSHIP (*continued*)
YEAR ENDED 30 JUNE 2018

Visiting Fellows

Professor D Wong, PhD (Michaelmas Term 2017)
Professor A Ogundiran, PhD (from April 2018 to July 2018)
Professor D Ó Cróinín, PhD (from 1 October 2017)
J Wiseman, PhD (Harvard) (until 26 July 2017)
Profesor S Vignato, PhD (Michaelmas Term 2017)

Honorary Fellows

HRH the Duke of Gloucester, KG, GCVO, MA
Professor Sir John Boardman, MA, FBA, Hon RA
The Rt Revd S Barrington-Ward, KCMG, MA
Professor Sir David Hopwood, MA, PhD, DSc (Glasgow), FRS
A B Gascoigne, MA, FRSL
Professor H H Vendlér, AB, PhD (Harvard), Hon Litt D
H R L Lumley, MA
J C F-Simpson, CBE, MA, FRGS
Sir Colin Corness, MA
Professor Sir Richard Jolly, KCMG, MA, PhD (Yale)
Professor Sir John Gurdon, PhD, Hon ScD, Hon DSc (Oxon), FRS
D J H Murphy, MA
Professor D C Clary, ScD, FRS
Sir John Tooley, MA
Lord Malloch Brown, MA, KCMG
R W H Cripps
The Rt Hon Lord (Igor) Judge, Kt, PC, MA
HE Judge Sir Christopher Greenwood, CMG, QC, MA, LLB
The Rt Hon Sir Andrew Morritt, PC, CVO, MA
R H Vignoles, BA, BMus, ARCM, Hon RAM, Hon FRCM
The Hon Wong Yan-lung, SC, MA, JP
D D Robinson, CBE, MA and MA (Yale), FSA, DL
Professor S Springman, CBE, PhD, FREng
C I von Christerson, MA
HRH Sultan Nazrin Shah, BA (Oxon), PhD (Harvard)
L L Cardozo Kindersley, MBE
Dame C A Duffy, DBE, BA (Liverpool)
A Tennant, BA, MIB (from 1 June 2018)
T Cripps, BA, MBA (from 1 June 2018)

Fellow-Commoners

T G M Keall, MA
R L Skelton, MA
A I J Fitzsimons, Diplômée de l'ISIT (Paris)
J J Hellyer Jones, MA, FRCO
B Fried, MBA (Pennsylvania)
N Raymont, BSc (Econ), FCA
M R W Rands, BSc, DPhil
P J Marsh, MPhil, Honorary PhD (University of Central England)
R V Chartener, AB (Princeton), MPhil, MBA (Harvard)
C H Foord, MAAT, Assoc CIPD
A Ritchie, QC, MA
C V S Brasted-Pike, MA, MSci, PhD
G H Walker, MA, LRAM, PGDip(RAM)
H Critchlow, PhD (until 31 March 2018)
C Skott, PhD

MAGDALENE COLLEGE, CAMBRIDGE
PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2018

Officers

Master:	Lord Rowan Williams, PC, DD (Hon), DCL, FBA
President:	Dr M E Jane Hughes, MA, PhD
Senior Tutor:	Dr Stuart Martin, MA, PhD
Senior Bursar:	Mr Steven Morris, BA (Newcastle), FCA, IPFA
Development Director:	Mrs Corinne Lloyd, MA (Kent)

Professional Advisers

Auditors: Peters Elworthy & Moore
Salisbury House
Station Road
Cambridge CB1 2LA

Bankers: Lloyds Bank
3 Sidney Street
Cambridge CB2 3HQ

Property Managers:
(Commercial) Cheffins Commercial
Clifton House
1-2 Clifton Road
Cambridge CB1 7EA

Property Managers:
(Agricultural) Savills
Olympic House
Doddington Road
Lincoln LN6 3SE

Securities Managers: Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Solicitors: Ashtons Legal
Chequers House
77-81 Newmarket Road
Cambridge CB5 8EU

MAGDALENE COLLEGE, CAMBRIDGE

REPORT OF THE GOVERNING BODY

YEAR ENDED 30 JUNE 2018

The Governing Body of Magdalene College presents its Reports and Accounts for the year ended 30 June 2018.

STATUS

The College of Saint Mary Magdalene, one of 31 Colleges in the University of Cambridge, commonly called Magdalene College, was re-founded by Lord Audley of Walden in 1542. The 1542 Charter provides that the College is '*for the advancement of knowledge, arts, learning and virtue and for the advancement of moral studies in the University of Cambridge.*' The College became a registered charity on 18 August 2010. The Charity Commission of England and Wales is therefore the principal regulator for the College.

The College is a legally independent corporation within the collegiate University of Cambridge. A system of University-wide committees exists to plan and discuss the joint affairs of the collegiate University.

AIMS AND OBJECTIVES

The Governing Body has adopted a Strategic Plan to determine the future direction and size of the College. This plan identifies the priorities to be addressed to maintain and enhance teaching provision and the College's academic resources, and to provide appropriate residential and recreational amenities.

The College's charitable purpose as a place of religion, education, learning and research is clearly reflected by objectives in the Strategic Plan:

- to deliver a world-class undergraduate education by safeguarding the provision of small-group College-based supervision teaching;
- to maintain and develop a commitment for encouraging applications from the most talented students irrespective of social, ethnic and religious background in tandem with a needs-blind admission system supported by a comprehensive bursary programme; and
- to promote academic research of the highest quality.

GOVERNANCE

The Governing Body of the College comprises the Master and the Fellows (Classes A, B and C, if aged below 67 years) and they are *de facto* the trustees of the College. This body is constituted and regulated in accordance with the College Statutes (revised 1997) and is responsible for the strategic direction of the College, for its administration and for the management of its finances and assets. It meets at least seven times a year under the chairmanship of the Master. The Presidents of the Middle Common Room (MCR) and the Junior Common Room (JCR) attend for unreserved business.

The Governing Body acknowledges its responsibility to act with prudence and care and to ensure the College complies with relevant laws and regulations. The Governing Body elects all Fellows of the College. Information is given to new Fellows regarding the College and how it is governed.

The principal committees of the Governing Body include the:

- Academic Committee; which establishes policy and monitors progress in respect of the College's main activities of education and research. The Committee meets five times a year and its membership is drawn from the Governing Body;
- Fellowship Committee; which advises on the recruitment and the retention of College Fellows including recommendations about individual elections. The Committee meets at least four times a year. Its membership, which is drawn from the Governing Body, reflects the range of academic disciplines;
- Finance & General Purposes Committee; which has responsibility for the oversight of the College's financial and administrative affairs and meets six times a year. Membership is drawn from the Governing Body;

MAGDALENE COLLEGE, CAMBRIDGE
REPORT OF THE GOVERNING BODY (*continued*)
YEAR ENDED 30 JUNE 2018

- Investments Committee; which has oversight and sets policy for the College's endowment. The Committee meets three times a year and it includes external members with knowledge and experience of investments; and
- Development Committee; which oversees and sets policy for the College's alumni relations and fundraising programmes. The Committee meets at least three times a year and its membership is from the Governing Body and the wider Fellowship.

As secretary to the Governing Body, the Senior Bursar maintains a register of interests for members of the Governing Body. Declarations of interest are standing items on the agendas of the Governing Body and its principal committees. The Governing Body has established a Remuneration Committee, with a membership which is independent from it, to review and to advise on the benefits appertaining to Fellows. This Committee met once during the financial year to review relevant policy proposals, has reviewed its own remit and then advised the Governing Body accordingly.

The Master is the chairman of the trustees and has a duty to promote the welfare of the College and to ensure the College maintains an appropriate learning environment for its members. The President, as a senior fellow, supports the interests of the fellowship and acts as the vice-master. The Senior Tutor has day-to-day responsibility for the admission, education and welfare of undergraduate and graduate students and supporting the research activities of the College. The Governing Body appoints Admissions Tutors to support the Senior Tutor in the selection of suitable students for admission to the College. The Senior Bursar has responsibility for the estates, finance and administration of the College.

The College appoints a Director of Studies for each undergraduate and provides small group teaching in addition to the teaching provided by the University. The College also provides a Tutor for each student and access to other forms of pastoral care, including a Chaplain, Nurse and Counsellors. Together, the Dean and the Tutors have responsibility for maintaining standards of behaviour and good order in the College.

Members of the MCR and the JCR elect annually an executive committee to support and promote their welfare. The College makes grants to these student bodies, as well as to sports and cultural societies.

PROGRESS MADE DURING THE YEAR

The College is always striving to improve its own academic standards and is active in promoting the wider collegiate university's standing in terms of teaching and research and the position of the colleges within it. The College continues to build upon its existing academic strengths by recruiting Fellows who are outstanding in their field of study and by admitting talented students.

Fellows of the College continue to receive awards for their published work and for their contribution to the University, whilst the examination results for the College's undergraduate students remains impressive. It is pleasing to note that over 90% of the graduating cohort obtained a 2.1 class of degree or better.

Following the changes to tuition fees which were introduced by the government in 2012, the undergraduate colleges have agreed a revised fee arrangement with the University including a basis for sharing equally the costs of student bursaries and widening participation. Agreement has also been reached in respect of postgraduate students between the colleges and the University to pool their combined fee income and then share resources based upon predetermined proportions.

The College continues to make sustained progress with its plan for a new library. Significant steps have been made in preparing the site for the construction phase, including undertaking archaeological investigations, utility diversions and completion of the tendering process. Ground-breaking is planned in 2018 before work commences on site in the autumn. The Future *Foundations* fundraising campaign has, thanks to extremely generous support from donors, exceeded the College's own expectations and reached more than 71% of target since being launched during Easter 2017.

MAGDALENE COLLEGE, CAMBRIDGE
REPORT OF THE GOVERNING BODY (*continued*)
YEAR ENDED 30 JUNE 2018

FINANCIAL REVIEW

Scope of Financial Statements

The financial statements include the accounts of Magdalene College and its subsidiary undertaking.

Sources of Funding

The principal sources of income of the College are:

- Students through fees charged for education provided
- The University through fees charged for education provided to its students
- Donors through grants for research
- Members and friends of the College through donations and bequests
- Students and Fellows through charges for goods, services and facilities provided
- Conference customers for goods, services and facilities provided
- Investment income from the accumulated endowment.

Results for the Year

The financial results for the year are given as follows:

	2018	2017	% Change
	£000	£000	
Total Income	19,383	12,340	+57.0%
Total Expenditure	(10,737)	(10,562)	+1.6%
Surplus before investment gains or changes to pension schemes	8,646	1,778	+386.3%
Gains on investments	2,838	8,003	
Actuarial gains (loss) on pensions	344	(178)	
Total Comprehensive Income	11,828	9,603	+23.2%

The College deems it prudent to plan for a modest recurrent surplus to provide stability and to allow for new funds for reinvestment.

Income

Overall income (before investment gains and actuarial pension changes) increased by 57.0% when compared to 2016-17. This was due to higher conference revenues, an increase in investment income, and a significant increase in donations including donations for the 'Future *Foundations*, The Campaign for Magdalene' which was formally launched last year.

Although income from academic fees (including research income and Cambridge Bursary income) remained static, income from academic fees increased by 1.9% when compared to 2016-17. Higher tuition fees were derived from more graduate students and unregulated fee undergraduate students. These increases were largely offset by a reduction in research activity and lower Cambridge Bursary income.

Income from College-provided accommodation and catering was £4,280k (£4,063k for 2016-17), or 5.3% higher than last year, with conference revenues increasing by 3.0% year on year. There was an increase in member income of 6.5% with more room rental and catering activity.

Total investment income has increased substantially by 33.0% to £3,487k (£2,622k previous year). Continued growth in the securities portfolio has led to higher 'draw down' income and rental income from the commercial estate increased by 5.8% following tenant lettings on completion of a major refurbishment of Quayside during the previous year. The change of the principal fund manager at July 2017 led to a different investment approach than the previous manager. This has boosted income from investments (although corresponding gains on investments will be lower).

MAGDALENE COLLEGE, CAMBRIDGE

REPORT OF THE GOVERNING BODY (*continued*)

YEAR ENDED 30 JUNE 2018

Total donation related income was £8,454k against £2,514k in 2016-17. This reflects the success to date of the fundraising campaign, with the new library building at the centre of the campaign. This has led to a large year-on-year rise in all types of donations, including donations for buildings.

Expenditure

Expenditure on education has increased by 5.4% to £4,570k (£4,335k previous year), which compares to £2,924k received (£2,919k previous year) directly from academic fees and research income, providing a calculated deficit on educational activity of £1,646k (£1,416k previous year), an increase of 16.2%. Expenditure on education accounts for 42.6% (previous year 41.1%) of total expenditure.

Expenditure on College-provided accommodation and catering increased to £5,023k (£4,987k previous year) or by a modest +0.7%, there being more catering related activity in 2017-18 but less building maintenance, with funds being directed to capital improvement projects. In addition, the Quayside office refurbishment project fell into the previous year.

Staffing costs increased in the year by 1.7%, amounting to £4,385k (£4,312k previous year) or 40.8% of total costs consistent with the previous year. Costs increased following a general pay award of 1.7% as well as increased activity in catering and conferencing, and more academic posts created. These additional costs were partially offset by reductions in pension service and finance costs.

The Governing Body remains concerned about the long term costs of providing defined benefit pensions, and whilst it has taken steps to try to limit future liabilities by ceasing to offer a defined benefit scheme to new non-academic staff, many current employees participate in a defined benefit salary scheme. Whilst it is positive that the College has experienced a decrease to its FRS 102 pension deficit, the overall deficit of £2,198k is symbolic of the long-term costs of providing final salary pensions.

Other operating costs marginally increased to £4,990k (£4,922k previous year), as increased expenditure on Education was offset against tight control of costs on conference and college catering operations, despite there being increased activity. Additional savings were made on investment management costs and a reduction in fundraising costs following planned increased expenditure in 2016-17 associated with the launch of the Future *Foundations* campaign.

Depreciation costs for operational buildings remained similar to 2016-17 at £1,223k (£1,213k previous year).

College net assets increased by £11.8m to £171.1m from £159.3m in 2016-17. Whilst yields were unchanged, the combination of investment in refurbishing Quayside in recent years and few voids, resulted in an increase in investment property values of £2.0m to £42.1m. Following a buoyant 2017, 2018 experienced slower growth, the securities portfolio nevertheless resulted in gains of £0.8m over the year. At the year end cash held by the fund manager for reinvestment was at a normal level when compared to the start of the year as cash proceeds were high from the previously liquidated securities portfolio.

Capital Expenditure and Maintenance

The College's operational assets, the largest asset class of the College, remain a financial pressure for the College. Capital expenditure for the year amounted to £0.96m. The College commissions a rolling five-year condition survey of its operational estate which informs its forward looking five-year maintenance plan. The maintenance programme is designed to maintain and improve the estate and additional resources have been allocated to it in recent years, recognising the need to increase investment in the long-term maintenance of its operational estate.

Investment Policy and Performance

The College manages its investments in securities and property to produce the highest return consistent with the preservation of capital value in real terms for the long term and given the associated risks. The principal responsibility of the Governing Body in investing the College's endowment is to ensure the real value of the endowment is maintained after spending, consistent with the risk/return profile adopted and within a suitably diversified portfolio. The Governing Body expects, within the scope of this fiduciary duty, its fund managers to engage actively with companies to promote and support acceptable standards of practice in respect of their business activities and how they impact on their

MAGDALENE COLLEGE, CAMBRIDGE

REPORT OF THE GOVERNING BODY (*continued*)

YEAR ENDED 30 JUNE 2018

employees, the environment and the communities in which they operate. The Investments Committee undertakes an ongoing review of its responsible investment policy.

The College holds a securities based portfolio (£33m in 2018-19, £30m previous year) managed by Baillie Gifford, under a discretionary mandate with the objective to maximise total return. The College also has direct property and agricultural land holdings (£42.1m in 2017-18). The direct property, which is managed by Cheffins, is held as a long-term strategic asset, with the policy of maximising yield, whilst the agricultural land is managed by Savills.

The Investments Committee agreed to continue with a total return policy with a 3.75% spending rule which resulted in a larger drawdown from capital of £1,036k (£948k in 2016-17).

College investments stood at £78m (£73m in the previous year). The property portfolio (Cambridge properties) was valued at £40.6m returning 9.2% over the course of the year. This was marginally below the Charity Property Fund for the same period but over a 5 year annualised return, the College portfolio was significantly ahead (12.3% College versus 10.8% CPF). The securities portfolio was valued at £36.1m (previous year £33.1m) and performed reasonably well over the course of the year. The principal fund manager returned an average 4.6% against an equity charity fund of 5.5%.

Donations and Fundraising

Magdalene's primary fundraising efforts are directed at raising monies through major donations as well as by regular giving, to add to the College's endowment. Key objectives for the College include teaching, research and student support. In the short-term, a new College Library is also planned, which will provide exceptional learning resources for the students. Last year an ambitious fundraising campaign was launched to raise £25m over a five year period. The central themes being student bursaries; the new College Library; the restoration of the Pepys Library; and an improvement of the fabric of the College Estate.

The ongoing support of our Members, friends and the Fellowship is particularly welcome and appreciated during these trying economic times. Over the course of 2017-18, donations to the College totalled £8.5m, an increase from last year's figure of £2.5m, and for which the College is immensely grateful. The costs of fundraising efforts were slightly lower at £244k compared with £252k for 2016-17. The progress made with the campaign to-date is very pleasing and this acts as a sound basis for meeting the College's campaign objectives.

The College is registered with the Fundraising Regulator and continues to develop a shared understanding and agreement for activities concerning alumni, be it communications, attendance of events and use of data. The College has a Data Protection Statement which governs the use of any personal data held and how it is used and the College insists alumni grant their consent in holding personal data. The College did not engage professional fundraisers during the year and does not seek to raise funds from members of the public. No complaints were received during the year.

Reserves and Endowment Funds

Total College reserves and funds amounted to £171.1m. Within the College's endowment funds there are almost 100 trust funds supporting the College in achieving its aims.

These reserves are represented by the College's operational estate and to a large extent, the permanent endowment assets and therefore are not available as income funds to be spent. Collectively the College's free revenue reserves and earmarked building reserves amount to £6.6m after taking account of the pension deficit. The Governing Body considers it prudent to hold sufficient unrestricted reserves and appropriate earmarked reserves in the event of major variations to the College's income and expenditure and has concluded that its general reserves should be 20% of annual income and that its building reserve should represent 1% of the insurable value of the operational estate. Together this amounts to £5.1m. The College has deliberately planned to build up some reserve funds to support the new library building project as part of its funding plan and is a contingency measure.

Cash Flow and Treasury Management

The College's treasury management policy requires cash deposits to be spread across a range of counterparties, all of which must be at least Fitch A credit-rated. Net cash funds significantly increased by £5,280k as expected, from

MAGDALENE COLLEGE, CAMBRIDGE

REPORT OF THE GOVERNING BODY (*continued*)

YEAR ENDED 30 JUNE 2018

£2,558k to £7,838k over the year, following a substantial influx of donations and legacies in 2017-18, most of which are for the campaign and will be required over the next few years as the main construction project commences.

PRINCIPAL RISKS

The College maintains a Major Risks Register that identifies what it considers the major risks to which the College is exposed and their assessed impact and probability of occurrence. As outlined in the Governing Body's statement on Internal Controls the risk register is reviewed annually by the principal College Officers and the Finance & General Purposes Committee, and then final consideration by the Governing Body. As far as is practical the College then takes additional measures to mitigate key risks and where appropriate insurance cover is put in place. Nevertheless the College is exposed to a variety of risks. Presently the principal known risks include

- Adverse performance of financial markets and the real economy which would in-turn impact on the college's endowment assets
- The cost of employee defined benefit pensions schemes
- Unexpected expenditure on building maintenance
- The impact of government policy on college income and individual student finances
- The new library project, being a large-scale capital project has inherent financial risks

The college through its own financial planning and operational management aims to mitigate the impact or sets aside resources in the event of such risks taking place.

FINANCIAL OUTLOOK AND PLANS FOR THE FUTURE

In financial market terms 2018 has to-date been a mixed experience with the first half of the year generating modest or negative returns for some assets classes. Concerns over the return of inflationary pressures and excessive emerging market debt levels in the context of a strengthening US dollar led investors to lose some confidence. The US economy seems to be on a strong growth trajectory path despite the President's steps to introduce trade tariffs, particularly with China. Overall the world economy is still growing which should support risk assets.

The College holds significant commercial property in Cambridge and following an initial refurbishment project of some of the offices in Quayside, plans to refurbish the remainder of the site are being made so work might start in 2019.

As the College uses its endowment to subsidise the costs of education and research, as well as the costs of accommodation and catering for its members, the performance of its investments continues to be central to the long-term financial stability of the College. The longer term costs of defined benefit pension schemes are of concern and the financial predicament of USS is of particular concern and increased employer participation costs from 2016. Staffing costs are expected to increase following ongoing pressure from pension schemes and the implementation of the national living wage.

The government's tuition fee policy for the higher education sector became effective in October 2012 and the Collegiate University has been investing further in its outreach and aspiration raising programmes. The government's withdrawal of maintenance grants is likely to influence policy for the Collegiate University. The government is moving towards establishing a new regulator in developing new teaching standards for universities and in setting up a new body to replace the UK research councils and a new Office for Students.

The College is looking to commence work on site in the autumn of 2018 for its library building and there is a 2 year programme ahead. The majority of funding is secured for the project although further fundraising is still required. A feasibility study for the Pepys Building's restoration will be devised. Uncertainties over the specific impact of Brexit remain heightened, with the expectation in the Higher Education sector generally negative. The future of USS and its funding requirements is a high priority for the College.

Approved by the Governing Body on 11 October 2018

R D Williams
Master

S J Morris
Senior Bursar

MAGDALENE COLLEGE, CAMBRIDGE

STATEMENT OF PUBLIC BENEFIT

YEAR ENDED 30 JUNE 2018

The Governing Body is satisfied that the activities as described in these reports and accounts meet the public benefit requirements of a registered charity.

Objects

By maintaining an academic community of the Master, Fellows, Scholars and other students the College is fulfilling its charitable objects as a place of religion, education, learning and research within the University of Cambridge.

Education

The College provides an education for some 378 (2017: 384) undergraduate and 151 (2017: 134) graduate fee-paying students which is recognised internationally as being of the highest standard. The education develops students intellectually and advances their leadership qualities and interpersonal skills, and so prepares them to play full and effective roles in society. In particular, the College provides:

- teaching facilities, bursaries, and individual or small-group supervision, as well as pastoral, administrative and academic support through its directors of studies and tutorial and graduate mentoring systems, thereby enabling students both to develop personally and intellectually and to proceed to degrees of the University of Cambridge (and in some cases other qualifications);
- specialist choral musical education for its choral students, including provision of choral and organ scholarships;
- a residential community with social, cultural, musical, recreational and sporting facilities that enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College; and
- accommodation and catering at reasonable rates.

Research

In the same way the College advances knowledge and learning through:

- supporting research work pursued by its Fellows through promoting interaction between them and across disciplines, and providing facilities and grants for attendance at national and international conferences and research trips, and other resources for research;
- providing Research Fellowships to outstanding academics in the early stages of their careers, which enable them to develop and focus on their research in this formative period before they undertake the full teaching and administrative duties of an academic post;
- providing Fellows and academic staff with study rooms;
- encouraging visits from outstanding academics from other institutions, with or without the provision of accommodation and meals at the common table; and
- encouraging the dissemination of research undertaken by members of the College through the publication of books, papers in academic journals, or other suitable means.

Libraries

The College Library provides a valuable resource for students and Fellows of the College. The College also maintains an Old Library for its members and members of other Colleges and the University of Cambridge more widely, and for external scholars and researchers.

The Pepys Library, which is a collection of international significance, provides an educational resource for academics, allows access to organised tours by local children and institutions, and is regularly open for visits by the general public.

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PUBLIC BENEFIT (*continued*)
YEAR ENDED 30 JUNE 2018

Beneficiaries

The resident members of the College, both students and academic Fellows/staff, are the primary beneficiaries and are directly engaged in education, learning or research.

However, beneficiaries also include: students and academic staff from other Colleges in Cambridge and the University of Cambridge more widely, visiting academics from other higher education institutions, and alumni of the College who have an opportunity to attend educational events at the College or use its academic facilities and take meals at the common table. The general public are also able to attend various educational activities in the College such as Open Garden exhibitions, and the College's educational festivals. Subject to certain reasonable restrictions, the grounds of the College are open to the general public on most days of the year without charge.

Admissions

The College admits as students those who have the highest potential for benefiting from the education provided by the College and the University and recruits as Fellows and academic staff those who are able to contribute most to the academic excellence of the College, regardless of their financial, social, religious or ethnic background:

- there are no geographical restrictions in the College's objects and students, Fellows and academic staff of the College are drawn from across the UK and internationally;
- whilst students of the College are predominantly between 18 and 24 years old, there are no age restrictions in the College's objects, and many graduate students are older than 24 years; and
- there are no religious restrictions in the College's objects and members of the College have a wide variety of faith traditions or none.

The focus of the College is strongly academic and students need to satisfy high academic entry requirements.

The College charges the following fees:

- College fees at externally regulated rates to undergraduates entitled to Student Support and to graduate students (with those undergraduate fees being paid by grant funding through arrangements approved by the Government); and
- A fee determined by the College annually to overseas undergraduates and any Home/EU undergraduates not entitled to student support.

Student Support

In order to assist undergraduates entitled to student support the College provides, through a scheme operated in common with the University and other Colleges (the Cambridge Bursary Scheme), bursary support for those of limited financial means. (For the academic year 2017-18, the number of awards made was 66, out of a Home/EU undergraduate population of 295; 43 of the awards were at the maximum value of £3,500; and the average value of the awards was £2,905.) The scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. Supplementing the Cambridge Bursary Scheme, the College is committed to raising funds to award an enhanced bursary to every undergraduate eligible for the scheme's maximum £3,500 award. During 2017-18 the College was able to support 41 undergraduate students through this enhanced bursary scheme.

To support graduate students, the College provides substantial financial support. This includes several scholarships to fund fees and living costs and 'top-up' to fill shortfalls in students' funding packages. The College has also established a Graduate Research Fund to assist graduates with expenses associated with research conferences and activities, usually in conjunction with the University. Awards are based upon academic criteria as well as the financial position of students. During the year the College provided financial assistance amounting to £352,700 from these schemes.

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PUBLIC BENEFIT (*continued*)
YEAR ENDED 30 JUNE 2018

The College also offers support to all students through a grant scheme to assist with academic materials, supporting the costs of related short courses (e.g. language studies), and attendance at conferences. These awards are given following an evaluation of the academic relevance and the financial means of the student. The College also provides a range of annual travel awards to provide opportunities to travel to complement academic study. During the year 19 students received such an award from these funds. The College also offers vacation study grants and 28 students benefitted from one of those.

The Governing Body also approves annual prizes and scholarships for undergraduates obtaining outstanding examination success. In total £30,175 of scholarships and awards were granted to 100 students during the year.

Finally the College operates a hardship scheme, which also partially contributes to the cost of the Cambridge Bursary Scheme, for all students in financial hardship and is actively campaigning to raise additional funds from its members. Awards are assessed by the student's Tutor and are based upon the specific financial situation of the student. The combined costs for these financial awards were £52,000 for the year.

Access

To raise educational aspiration and attract outstanding applicants who might not otherwise have considered applying the College operates an outreach programme. This programme includes an extensive programme of visits to schools, annual outreach events outside College which schools are invited to attend, visits by schools to the College, open days, and admissions symposia for teachers, as well as guidance and information on the College website for prospective applicants.

In the year College Fellows, staff and existing students supported the access programme of events which led to contact with a number of prospective students. The College holds a series of outreach events each year. In total the College spent £77,800 during the year directly on outreach programmes.

Religion

The College carries forward the tradition, continuous since its foundation, of being a place of spiritual and ethical reflection on the Christian faith and its implications for the individual and society. In particular, the College:

- Maintains and supports the Chapel as a place of religious worship and holds a variety of religious services on weekdays and at weekends during term, which are open to the general public and visitors;
- Maintains its choral tradition, which is integral to the provision of divine service in its Chapel, through the College's Choir;
- Supports, through the College Chaplain and through others, the emotional, mental and spiritual well-being of all members of the College community whatever their faith tradition, or none;
- Strives to maintain a College community which is socially cohesive and is supportive of its members from all faith backgrounds or none; and
- Maintains its historic connection with the work of the Church of England, particularly through its involvement as Patron or joint Patron of 11 parishes.

There is no geographical, age or religious restriction on who may attend Chapel in the College and in practice those attending are highly varied and include those who do not follow the Christian faith. The pastoral services of the clergy of the College are available to all members of the College whatever their faith traditions or none.

MAGDALENE COLLEGE, CAMBRIDGE

STATEMENT OF INTERNAL CONTROL

YEAR ENDED 30 JUNE 2018

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes, the requirements of the Charity Commission and the Education Memorandum with the University of Cambridge.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The system of internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The process was in place for the year ended 30 June 2018 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Governing Body meets regularly throughout the year to consider the progress being made by the College, the effectiveness of its policies and plans which support the strategic direction of the College
- The Governing Body receives relevant reports from its committees concerning its policies, the risks and any specific issues in connection with the system of internal control
- A College risk register is maintained and reviewed annually
- A system of risk ranking is used to monitor risks and to highlight the principal risks
- Risks are assigned responsibility to College Officers and Heads of Departments of the College
- The Finance and General Purposes Committee undertakes a detailed annual review of the risk register and briefs the Governing Body accordingly.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work and advice of College Officers and Heads of Department, who have operational responsibility for the maintenance and development of the internal control system.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the external auditors, through their comments in the management letter and other reports.

MAGDALENE COLLEGE, CAMBRIDGE
RESPONSIBILITIES OF THE GOVERNING BODY
YEAR ENDED 30 JUNE 2018

The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing these financial statements, the Governing Body is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

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

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MAGDALENE COLLEGE, CAMBRIDGE
INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY
YEAR ENDED 30 JUNE 2018

Opinion

We have audited the financial statements of Magdalene College, Cambridge (the 'College') for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Statutes of the University of Cambridge; and
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G,II, of the University of Cambridge.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the Report of the Governing Body other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MAGDALENE COLLEGE, CAMBRIDGE
INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY (*continued*)
YEAR ENDED 30 JUNE 2018

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the Report of the Governing Body is inconsistent in any material respect with the financial statements ; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Governing Body

As explained more fully in the trustees' responsibilities statement set out on page 16, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

This report is made solely to the College trustees, as a body, in accordance with College's statutes, the Statutes of the University of Cambridge and the Charities Act 2011. Our audit work has been undertaken so that we might state to the College trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College trustees as a body, for our audit work, for this report, or for the opinions we have formed

PETERS ELWORTHY & MOORE

Chartered Accountants and Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

19 October 2018

Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

MAGDALENE COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2018

Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom Accounting Standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

The consolidated Statement of Comprehensive Income and Expenditure includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 6.

Basis of accounting

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

Basis of consolidation

The Consolidated Financial Statements include the College and its subsidiary undertaking, Cloverleaf Limited. Intra-group transactions are eliminated upon consolidation. The activities of student societies have not been consolidated. A separate balance sheet and related notes for the College only are not included because Cloverleaf Limited is a design and build company and therefore the balance sheet of the College would not be materially different to the one included in these accounts. Some details of the subsidiary undertaking are given in note 23.

Recognition of income

Academic fees

Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors. The costs of any fees waived or written off by the College are included as expenditure.

Restricted research grant income

Research grants received from non-government sources are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income and performance related conditions have been met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income. Income is retained within restricted reserves until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations and endowments with restrictions are classified as restricted reserves and additional details are provided within the notes to the accounts.

There are four main types of donations and endowments:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
3. Restricted expendable endowments – the donor has specified a particular objective and the College can convert the donated sum into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure when the College is entitled to the income.

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (*continued*)
YEAR ENDED 30 JUNE 2018

Total return

The College invests its securities investment portfolio and allocates a proportion of the related earnings and capital appreciation to the income and expenditure account in accordance with the total return investment concept. The allocation to income is determined by a spending rule, currently 3.75%, which is designed to stabilise annual spending levels from the endowment. The income transferred to the consolidated Statement of Comprehensive Income and Expenditure on this total return basis is calculated by a formula that uses the weighted average value of the College's securities portfolio over a three year period up to the commencement of the current accounting year. Details are given in note 3.

Investment income and change in value of investment assets

Investment income and any change in value of investment assets is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Other income

Income is received from a range of activities including residences, catering conferences and other services rendered.

Payment of the Cambridge Bursaries to eligible students was made directly by the Student Loans Company (SLC), the College reimbursed the SLC for the full amount and received a contribution from the University. The College has shown the gross payment made to eligible students under Education Expenditure - Scholarships and Awards (note 4) and the contribution from the University as income under "Academic Fees and Charges" (note 1).

Pension schemes

The College participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the College therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the College has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the College recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The College also contributes to the Cambridge Colleges Federated Pension Scheme, which is a similar defined benefit pension scheme. Unlike the Universities Superannuation Scheme, this scheme has surpluses and deficits directly attributable to individual Colleges. Pension costs are accounted for over the period during which the College benefits from the employees' services.

Because of the mutual nature of the Church of England Funded Pension Scheme, the College is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period and expenses accrued in that year, plus any impact of deficit contributions. Since the College has entered into a recovery plan that determines how each employer within the scheme will fund the overall deficit, the College recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the Statement of Comprehensive Income and Expenditure in accordance with Section 28 of FRS 102.

The College offers a defined contribution pension scheme for non-academic staff. For staff employed before 1 April 2014 this was the Cambridge Colleges Group Pension Scheme. For staff employed after that date it is the NOW:

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (*continued*)
YEAR ENDED 30 JUNE 2018

Pensions Scheme. The assets of both those defined contribution schemes are held separately from those of the College. The annual contributions payable are charged to the Statement of Comprehensive Income and Expenditure.

Tangible fixed assets

Land and buildings

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold operational buildings are depreciated on a straight line basis over their expected useful lives as follows:

- the structure between 41 and 100 years
- the internal fit-out between 15 and 35 years
- the mechanical and electrical services between 10 and 35 years

Buildings under the course of construction are valued at cost, based on the value of architects' certificates and any other direct costs incurred. They are not depreciated until they are brought into use. The cost of additions to operational property shown in the balance sheet includes the cost of land.

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.

Maintenance of premises

The College has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of routine maintenance is shown in the consolidated Statement of Comprehensive Income and Expenditure as it is incurred. The cost of major refurbishment and maintenance which restores or improves value is capitalised and depreciated over the expected useful economic life of the asset concerned. The College also sets aside sums periodically to meet future maintenance costs, these being disclosed within unrestricted reserves.

Equipment

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of purchase. All other equipment is capitalised and depreciated over their expected useful life as follows:

Furniture and equipment	10 years
Energy regeneration	20 years
Library books	15 years
Information technology	3 or 5 years
Specialist software	10 years
Catering & conference equipment	5, 10 or 20 years

Where equipment is acquired with the aid of specific bequests or donations it is capitalised and depreciated. The related benefactions are credited to income in the year it arises.

Heritage assets

The College holds and conserves two book collections which are of historical and cultural importance. No heritage assets acquired since 1st July 1999 have been of sufficient value to be capitalised. The majority of assets held in the College's collections were acquired before 1st July 1999 and, because reliable estimates of cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result the total included in the Balance Sheet is £nil.

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (*continued*)
YEAR ENDED 30 JUNE 2018

Investments

Securities

Securities are shown at their fair value on 30 June each year, except for investments in the subsidiary undertakings which are stated in the College's balance sheet at cost and eliminated on consolidation.

Direct property

Investment properties are included at fair valuation and the aggregate surplus or deficit is transferred to Unrestricted Reserves. A formal valuation is performed at least every 5 years. For commercial property holdings, a formal valuation is currently undertaken every year and this year was carried out by Cheffins, Chartered Surveyors, as at 30 June 2018. The last formal valuation for agricultural land was carried out by FPD Savills as at 30 June 2018.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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.

Contingent liabilities and assets

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. 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 contracted rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Taxation

The College is a registered charity (number 1137542) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (*continued*)
YEAR ENDED 30 JUNE 2018

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. The liability for the year is as advised to the College by the University based on an assessable amount derived from the value of the College's assets as at the end of the previous financial year.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Endowment reserves include balances which, in respect of endowment to the College, are held as permanent funds, which the College must hold to perpetuity. Restricted reserves include balances in respect of which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Critical accounting judgements

FRS102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The Governing Body is satisfied that the scheme provided by USS and the Church of England Funded Pension Scheme meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

All other accounting judgements and estimates are detailed under the appropriate accounting policy.

MAGDALENE COLLEGE, CAMBRIDGE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 30 JUNE 2018

		2018				2017			
	Note	Unrestricted £000	Restricted £000	Endowment £000	Total £000	Unrestricted £000	Restricted £000	Endowment £000	Total £000
Income									
Academic fees and charges	1	2,830	94	-	2,924	2,815	104	-	2,919
Residences, catering and conferences	2	4,280	-	-	4,280	4,063	-	-	4,063
Investment income	3	2,290	15	1,182	3,487	2,207	3	412	2,622
Endowment return transferred	3	361	675	(1,036)	-	274	674	(948)	-
Other income		193	45	-	238	187	35	-	222
Total income before donations and endowments		<u>9,954</u>	<u>829</u>	<u>146</u>	<u>10,929</u>	<u>9,546</u>	<u>816</u>	<u>(536)</u>	<u>9,826</u>
Donations		2,338	685	-	3,023	796	320	-	1,116
New endowments		-	-	1,063	1,063	-	-	526	526
Other donations for assets		-	4,368	-	4,368	-	872	-	872
Total income		<u>12,292</u>	<u>5,882</u>	<u>1,209</u>	<u>19,383</u>	<u>10,342</u>	<u>2,008</u>	<u>(10)</u>	<u>12,340</u>
Expenditure									
Education	4	3,667	903	-	4,570	3,691	644	-	4,335
Residences, catering and conferences	5	5,009	14	-	5,023	4,973	14	-	4,987
Investment management costs	3	68	-	185	253	50	-	210	260
Other expenditure		807	69	-	876	909	60	-	969
Contribution under Statute G, II		15	-	-	15	11	-	-	11
Total expenditure	6	<u>9,566</u>	<u>986</u>	<u>185</u>	<u>10,737</u>	<u>9,634</u>	<u>718</u>	<u>210</u>	<u>10,562</u>
Surplus/(deficit) before other gains / losses		<u>2,726</u>	<u>4,896</u>	<u>1,024</u>	<u>8,646</u>	<u>708</u>	<u>1,290</u>	<u>(220)</u>	<u>1,778</u>
Gain/(loss) on investments		28	27	2,783	2,838	140	127	7,736	8,003
Surplus/(deficit) for the year		<u>2,754</u>	<u>4,923</u>	<u>3,807</u>	<u>11,484</u>	<u>848</u>	<u>1,417</u>	<u>7,516</u>	<u>9,781</u>
Other comprehensive income									
Actuarial gain/(loss) in respect of pension schemes	15	344	-	-	344	(178)	-	-	(178)
Total comprehensive income for the year		<u>3,098</u>	<u>4,923</u>	<u>3,807</u>	<u>11,828</u>	<u>670</u>	<u>1,417</u>	<u>7,516</u>	<u>9,603</u>

The notes on pages 28 to 43 form part of these accounts

MAGDALENE COLLEGE, CAMBRIDGE
STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 30 JUNE 2018

	Unrestricted £000	Income and expenditure reserve Restricted £000	Endowment £000	Total £000
Balance at 1 July 2017	98,044	5,013	56,283	159,340
Surplus/(Deficit) from income and expenditure statement	2,754	4,923	3,807	11,484
Other comprehensive income	344	-	-	344
Release of capital funds spent in year	45	(45)	-	-
Transfers	(4)	4	-	-
Balance at 30 June 2018	<u>101,183</u>	<u>9,895</u>	<u>60,090</u>	<u>171,168</u>

	Unrestricted £000	Income and expenditure reserve Restricted £000	Endowment £000	Total £000
Balance at 1 July 2016	97,422	3,548	48,767	149,737
Surplus/(Deficit) from income and expenditure statement	848	1,417	7,516	9,781
Other comprehensive income	(178)	-	-	(178)
Transfers	(48)	48	-	-
Balance at 30 June 2017	<u>98,044</u>	<u>5,013</u>	<u>56,283</u>	<u>159,340</u>

The notes on pages 28 to 43 form part of these accounts

MAGDALENE COLLEGE, CAMBRIDGE
CONSOLIDATED BALANCE SHEET
YEAR ENDED 30 JUNE 2018

	Note	2018 £000	2017 £000
Non-current assets			
Fixed assets	8	94,184	94,590
Investments	9	78,473	73,275
		<u>172,657</u>	<u>167,865</u>
Current assets			
Stocks	10	174	158
Trade and other receivables	11	4,123	3,145
Cash and cash equivalents	12	7,838	2,558
		<u>12,135</u>	<u>5,861</u>
Creditors: amounts falling due within one year	13	<u>(3,365)</u>	<u>(3,273)</u>
Net current assets		8,770	2,588
Creditors: amounts falling due after more than one year	14	(8,061)	(8,521)
Provisions			
Pension provisions	15	(2,198)	(2,592)
Total net assets		<u>171,168</u>	<u>159,340</u>
Restricted reserves			
Income and expenditure reserve - endowment reserve	16	60,090	56,283
Income and expenditure reserve - restricted reserve	17	9,895	5,013
		<u>69,985</u>	<u>61,296</u>
Unrestricted reserves			
Income and expenditure reserve - unrestricted		<u>101,183</u>	<u>98,044</u>
Total reserves		<u>171,168</u>	<u>159,340</u>

These financial statements were approved by the Governing Body on 11 October 2018 and are signed on their behalf by:

R D Williams
Master

S J Morris
Senior Bursar

The notes on pages 28 to 43 form part of these accounts

MAGDALENE COLLEGE, CAMBRIDGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2018

		2018	2017
		£000	£000
	Note		
Net cash inflow from operating activities	18	7,726	106
Cash flows from investing activities	19	(1,717)	(956)
Cash flows from financing activities	20	(729)	(743)
Increase in cash and cash equivalents in the year		<u>5,280</u>	<u>1,593</u>
Cash and cash equivalents at beginning of the year		<u>2,558</u>	<u>4,151</u>
Cash and cash equivalents at end of the year	12	<u>7,838</u>	<u>2,558</u>

The notes on pages 28 to 43 form part of these accounts

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2018

1. Academic fees and charges

	2018	2017
	£000	£000
College fees:		
Fee income received at the Regulated Undergraduate rate	1,352	1,385
Fee income received at the Unregulated Undergraduate rate	655	598
Fee income received at the Graduate rate	513	420
Research income	310	412
Cambridge Bursary scheme	94	104
Total	<u>2,924</u>	<u>2,919</u>

2. Income from residences, catering and conferences

	2018	2017
	£000	£000
Accommodation		
College members	2,055	1,941
Conferences	705	713
Catering		
College members	878	814
Conferences	642	595
Total	<u>4,280</u>	<u>4,063</u>

3. Endowment return and investment income

	2018	2017
	£000	£000
3a. Analysis		
Total return contribution (see note 3b)	1,036	948
Income from:		
Freehold land and buildings	2,270	2,152
Unit Trust Scheme	-	38
Cash Deposits	34	20
Total	<u>3,340</u>	<u>3,158</u>

3b. Summary of total return

	2018	2017
	£000	£000
Income from:		
Quoted and other securities and cash	1,182	412
Gains on endowment assets:		
Quoted and other securities and cash	812	4,007
Investment management costs (see note 3c)	(185)	(210)
Total return for year	<u>1,809</u>	<u>4,209</u>
Total return transferred to income and expenditure reserve (see note 3a)	(1,036)	(948)
Unapplied total return for year included within Statement of Comprehensive Income and Expenditure	773	3,261
Unapplied total return at beginning of year	10,659	7,398
Unapplied total return at end of year	11,432	10,659

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

3c. Investment management costs

	2018	2017
	£000	£000
Quoted security – equities	-	136
Pooled investments	185	74
Fixed interest securities	-	-
Investment management costs included within note 3b	<u>185</u>	<u>210</u>
Freehold Land and Buildings	68	50
Total	<u><u>253</u></u>	<u><u>260</u></u>

4. Education expenditure

	2018	2017
	£000	£000
Teaching	1,749	1,724
Tutorial	677	644
Admissions	474	460
Research	660	777
Scholarships and awards	775	494
Other educational facilities	235	236
Total (note 6)	<u><u>4,570</u></u>	<u><u>4,335</u></u>

5. Residences, catering and conferences expenditure

		2018	2017
		£000	£000
Accommodation	College members	2,274	2,328
	Conferences	752	767
Catering	College members	1,162	1,131
	Conferences	835	761
Total (note 6)		<u><u>5,023</u></u>	<u><u>4,987</u></u>

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

6a. Analysis of 2017/18 expenditure by activity

	Staff costs (note 7) £000	Other operating expenses £000	Depreciation £000	Total £000
Education (note 4)	2,109	2,199	262	4,570
Residences, catering and conferences (note 5)	2,046	1,882	1,095	5,023
Investment management costs (note 3c)	-	253	-	253
Other expenditure	230	641	5	876
Contribution under State G, II	-	15	-	15
	<u>4,385</u>	<u>4,990</u>	<u>1,362</u>	<u>10,737</u>

Expenditure includes fundraising costs of £244k. This expenditure does not include the costs of alumni relations.

6b. Analysis of 2016/17 expenditure by activity

	Staff costs (note 7) £000	Other operating expenses £000	Depreciation £000	Total £000
Education (note 4)	2,084	1,998	253	4,335
Residences, catering and conferences (note 5)	1,996	1,922	1,069	4,987
Investment management costs (note 3c)	-	260	-	260
Other expenditure	232	731	6	969
Contribution under State G, II	-	11	-	11
	<u>4,312</u>	<u>4,922</u>	<u>1,328</u>	<u>10,562</u>

Expenditure includes fundraising costs of £252k. This expenditure does not include the costs of alumni relations.

6c. Auditors remuneration

	2018 £000	2017 £000
Other operating expenses include:		
Audit fees payable to College's external auditors	<u>21</u>	<u>23</u>

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

7. Staff

	College Fellows 2018 £000	Non- academics 2018 £000	Total 2018 £000	Total 2017 £000
Staff Costs				
Emoluments (including non-staff)	973	2,805	3,778	3,682
Social security costs	80	209	289	284
Pension costs (note 22)	119	199	318	346
	<u>1,172</u>	<u>3,213</u>	<u>4,385</u>	<u>4,312</u>
Average staff numbers (full-time equivalents)				
Academic	56	-	56	51
Non-academics	4	99	103	103
	<u>60</u>	<u>99</u>	<u>159</u>	<u>154</u>

No officer or employee of the College, including the Head of House, received emoluments of over £100k.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. The key management personnel of the College are therefore the trustees.

Total 2018 £000	Total 2017 £000
<u>724</u>	<u>697</u>

This amount is the aggregated emoluments paid to key management personnel.

The trustees receive no emolument in their capacity as trustees of the charity, these payments relate to their capacity as College Officers.

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

8. Fixed assets

	Freehold land and buildings £000	Furniture and equipment £000	Energy Regeneration £000	Library books £000	Information technology £000	Catering equipment £000	Motor vehicles £000	Total £000
Original cost/valuation								
At beginning of year	97,369	659	75	171	288	636	17	99,215
Additions at cost	812	45	-	18	81	-	-	956
Disposals	-	(12)	-	(21)	(15)	(21)	-	(69)
At end of year	<u>98,181</u>	<u>692</u>	<u>75</u>	<u>168</u>	<u>354</u>	<u>615</u>	<u>17</u>	<u>100,102</u>
Depreciation								
At beginning of year	3,621	504	6	95	226	165	8	4,625
Charge for the year	1,223	30	4	11	41	52	1	1,362
Eliminated on disposals	-	(12)	-	(21)	(15)	(21)	-	(69)
At end of year	<u>4,844</u>	<u>522</u>	<u>10</u>	<u>85</u>	<u>252</u>	<u>196</u>	<u>9</u>	<u>5,918</u>
Net book value								
At end of year	<u>93,337</u>	<u>170</u>	<u>65</u>	<u>83</u>	<u>102</u>	<u>419</u>	<u>8</u>	<u>94,184</u>
At beginning of year	<u>93,748</u>	<u>155</u>	<u>69</u>	<u>76</u>	<u>62</u>	<u>471</u>	<u>9</u>	<u>94,590</u>

The insured value of freehold land and buildings at 30 June 2018 was £117,519k (2017: £107,710k).

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

8. Fixed assets (continued)

Heritage assets

The College holds and conserves two book collections which are of historical and cultural importance. These comprise the Pepys Library and the Old Library, which provide a valuable research and educational resource. In respect of these collections, the College's practice is to preserve, conserve and manage the items in its care; to augment the collections where appropriate and within the limited resources available; to enable and encourage access to and use of the collections for teaching and research; and to enable access to and engagement with the Pepys library collection of books by members of the public.

No heritage assets acquired since 1st July 1999 have been of sufficient value to be capitalised in accordance with the principles outlined in the Statement of Principal Accounting Policies. The majority of assets held in the College's collections were acquired before 1st July 1999 and, because reliable estimates of cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result the total included in the Balance Sheet is £nil.

9. Investments

	2018	2017
	Total	Total
	£000	£000
Balance at beginning of year	73,275	62,224
Additions	30,507	16,551
Disposals proceeds	(3,216)	(33,639)
Appreciation on revaluation	2,838	4,429
Decrease in cash balances held at fund managers	(24,931)	23,710
Balance at end of year	<u>78,473</u>	<u>73,275</u>
Represented by:		
Property	42,181	40,118
Unit Trust Scheme	3,247	3,087
Quoted securities - equities	-	3,216
Fixed interest securities	-	-
Pooled investments	32,873	1,751
Cash held for reinvestment	172	25,103
	<u>78,473</u>	<u>73,275</u>

Investments held by the College also include an additional £1 (2017: £1) investment in the subsidiary company at cost (see note 23).

10. Stocks

	2018	2017
	£000	£000
Goods for resale:		
Catering	31	28
Fellows Wine	132	117
Merchandise	11	13
	<u>174</u>	<u>158</u>

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

11. Trade and other receivables

	2018	2017
	£000	£000
Members of the College	91	138
Rents	652	653
Conferences	44	37
Other receivables	3,336	2,317
	<u>4,123</u>	<u>3,145</u>

12. Cash and cash equivalents

	2018	2017
	£000	£000
Short-term deposits	4,402	701
Bank deposits	2,366	1,696
Current accounts	1,069	160
Cash in hand	1	1
	<u>7,838</u>	<u>2,558</u>

13. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans	470	470
Due to tradesmen and others	908	840
University fees	45	38
Advance deposits - students	355	207
Caution money	335	275
Contribution to Colleges Fund	15	11
Other creditors	91	71
Accruals and deferred income	994	1,151
Deferred research income	152	210
	<u>3,365</u>	<u>3,273</u>

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

	2018	2017
	£000	£000
Bank loans	7,755	8,225
Fee deposits	306	296
	<u>8,061</u>	<u>8,521</u>

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

15. Pension provisions

	CEPFS	CCFPS	USS	2018	2017
	£000	£000	£000	£000	£000
Balance at beginning of year	23	2,079	490	2,592	2,426
Movement in the year					
Current service cost including life assurance	-	27	212	239	256
Contributions	(3)	(74)	(280)	(357)	(363)
Other finance (income)/cost	-	55	9	64	68
Actuarial loss/(gain) recognised in Statement of Comprehensive Income and Expenditure	-	(344)	-	(344)	178
Remaining change in balance sheet liability recognised in SoCIE	4	-	-	4	27
Balance at end of year	24	1,743	431	2,198	2,592

16. Endowment funds

Restricted net assets relating to endowments are as follows:

Consolidated	Restricted permanent endowments £000	Unrestricted permanent endowments £000	2018 Total £000	2017 Total £000
Balance at beginning of year				
Capital	20,388	35,895	56,283	48,767
New donations and endowments	1,061	2	1,063	526
Increase/(decrease) in market value of investments	482	2,262	2,744	6,990
Balance at end of year	21,931	38,159	60,090	56,283

Analysis by type of purpose

Fellowships	8,866	-	8,866	8,645
Student Hardship and Bursaries	4,297	-	4,297	3,607
Graduate Scholarships	3,587	-	3,587	3,236
Undergraduate Scholarships and Prizes	1,316	-	1,316	1,140
Travel Awards	262	-	262	256
Music, Chapel and Choir	322	-	322	314
Student Sports and Culture	750	-	750	727
Library Funds	1,765	-	1,765	1,716
Other Funds	766	-	766	747
Corporate Capital	-	38,159	38,159	35,895
	21,931	38,159	60,090	56,283

Analysis by asset

Property	-	42,181	42,181	40,118
Less Bank loan	-	(8,225)	(8,225)	(8,695)
Securities	21,031	4,174	25,205	23,777
Cash	900	29	929	1,083
	21,931	38,159	60,090	56,283

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

17. Restricted Reserves

Reserves with restrictions are as follows:

Consolidated	Capital grants unspent £000	Permanent unspent and other restricted income £000	Restricted expendable endowment £000	2018 Total £000	2017 Total £000
Balance at beginning of year					
Capital	1,556	-	1,166	2,722	1,220
Accumulated income	-	1,291	1,000	2,291	2,328
	<u>1,556</u>	<u>1,291</u>	<u>2,166</u>	<u>5,013</u>	<u>3,548</u>
New donations	4,368	-	685	5,053	1,192
Endowment return transferred	-	639	36	675	674
Other income	10	141	3	154	142
Increase/(decrease) in market value of investments	-	-	27	27	127
Transfers	-	4	-	4	48
Release of capital funds spent in year	(45)	-	-	(45)	
Expenditure	-	(487)	(499)	(986)	(718)
Balance at end of year	<u>5,889</u>	<u>1,588</u>	<u>2,418</u>	<u>9,895</u>	<u>5,013</u>
Capital	5,879	-	1,851	6,570	2,722
Accumulated income	10	1,588	567	3,325	2,291
	<u>5,889</u>	<u>1,588</u>	<u>2,418</u>	<u>9,895</u>	<u>5,013</u>
Analysis of other restricted funds/donations by type of purpose					
Fellowships	-	689	10	699	584
Student Hardship and Bursaries	-	552	933	1,485	1,072
Graduate Scholarships	-	123	630	753	932
Undergraduate Scholarships and Prizes	-	91	573	664	616
Travel Awards	-	30	28	58	53
Music, Chapel and Choir	-	31	-	31	27
Student Sports and Culture	-	10	-	10	11
Library Funds	-	61	-	61	54
New Library Funds	5,889	-	-	5,889	1,511
Other Funds	-	1	244	245	153
	<u>5,889</u>	<u>1,588</u>	<u>2,418</u>	<u>9,895</u>	<u>5,013</u>

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

18. Reconciliation of consolidated surplus for the year to net cash inflow from operating activities

	2018	2017
	£000	£000
Surplus for the year	11,484	9,781
Adjustment for non-cash items		
Depreciation	1,362	1,328
Investment income	(225)	(193)
(Increase) in stocks	(16)	(10)
(Increase) in trade and other receivables	(978)	(898)
Increase in creditors	102	49
Movement in pension deficit	(51)	(11)
Gain/(loss) on investment	(2,838)	(8,003)
Adjustment for investing or financing activities		
Investment income	(1,373)	(2,210)
Interest paid	259	273
Net cash inflow from operating activities	7,726	106

19. Cash flows from investing activities

	2018	2017
	£000	£000
Investment income	1,373	2,210
Non-current investment disposal	28,372	948
Endowment funds invested	(30,506)	(3,804)
Payments made to acquire non-current assets	(956)	(310)
Total cash flows from investing activities	(1,717)	(956)

20. Cash flows from financing activities

	2018	2017
	£000	£000
Interest paid	(259)	(273)
New secured loans	-	-
Repayments of amounts borrowed	(470)	(470)
Total cash flows from financing activities	(729)	(743)

21. Capital commitments

	2018	2017
	£000	£000
Capital commitments at 30 June are as follows:		
Authorised and contracted	371	660

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes

The College participates in three defined benefit schemes and two defined contribution schemes. The defined benefit schemes are the Universities Superannuation Scheme (USS), the Cambridge Colleges' Federated Pension Scheme (CCFPS) and the Church of England Funded Pensions Scheme (CEFPS). The defined contribution schemes are the NOW: Pensions scheme and the Cambridge Colleges Group Pension Scheme. The details of the schemes are as follows:

Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at the 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at the 31 March 2017 is underway but not yet complete.

Since the institution cannot identify its share of the Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	98% of SAPS S1NA "light" YOB unadjusted for males.
	<u>Post Retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% pa.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes continued

	2018	2017
Scheme assets	£63.6bn	£60.0bn
FRS 102 liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 funding level	88%	77%

Cambridge Colleges' Federated Pension Scheme

The College is a member of the Cambridge Colleges' Federated Pension Scheme which is a defined benefits plan.

The liabilities of the plan have been calculated, at 30 June 2018, for the purposes of FRS102 using a valuation system designed for the Management Committee, acting as Trustee of the Cambridge Colleges' Federated Pension Scheme, but allowing for the different assumptions required under FRS102 and taking fully into consideration changes in the plan benefit structure and membership since that date.

The principal actuarial assumptions at the balance sheet date were as follows:

	2018	2017
	% p.a.	% p.a.
Discount rate	2.70	2.60
Increase in salaries	2.75	2.85
Retail Prices Index (RPI) assumption	3.25	3.35
Consumer Prices Index (CPI) assumption	2.25	2.35
Pension Increases in payment (CPI Max 2.5% p.a.)	1.80	1.85

The underlying mortality assumption is based upon the standard table known as S2PA on a year of birth usage with CMI_2017 future improvement factors and a long-term rate of future improvement of 1.25% p.a. (2017: S2PA with CMI_2016 future improvement factors and a long-term future improvement of 1.25% p.a.). This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years (previously 22.1 years).
- Female age 65 now has a life expectancy of 23.8 years (previously 23.9 years).
- Male age 45 now and retiring in 20 years has a life expectancy of 23.3 years (previously 23.5 years).
- Female age 45 now and retiring in 20 years has a life expectancy of 25.4 years (previously 25.4 years).

Members are assumed to retire at their normal retirement age (65) apart from in the following indicated cases:

	Male	Female
Active Members – Option 1 Benefits	65	63
Deferred Members – Option 1 Benefits	62	60

Allowance has been made at retirement for non-retired members to commute part of their pension for a lump sum on the basis of the current commutation factors in these calculations.

The amounts recognised in the balance sheet as at 30 June 2018 (with comparative figures as at 30 June 2017) are as follows:

	2018	2017
	£	£
Present value of plan liabilities	(7,576,329)	(8,110,691)
Market value of plan assets	5,833,732	6,031,937
Net defined benefit asset/(liability)	(1,742,597)	(2,078,754)

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes continued

The amounts to be recognised in profit and loss for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Current service cost	15,553	18,790
Administrative expenses	11,849	11,849
Interest on net defined benefit (asset)/liability	54,321	53,262
(Gain)/loss on plan changes	-	-
Curtailement (gain)/loss	-	-
Total	81,723	83,901

Changes in the present value of the plan liabilities for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Present value of plan liabilities at beginning of period	8,110,691	7,394,020
Current service cost	15,553	18,790
Employee contributions	2,316	2,526
Benefits paid	(474,686)	(263,303)
Interest on plan liabilities	204,914	203,666
Actuarial (gains)/losses	(282,459)	754,992
(Gain)/loss on plan changes	-	-
Curtailement (gain)/loss	-	-
Present value of plan liabilities at end of period	7,576,329	8,110,691

Changes in the fair value of the plan assets for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Market value of plan assets at beginning of period	6,031,937	5,502,040
Contributions paid by the College	74,285	74,629
Employee Contributions	2,316	2,526
Benefits paid	(474,686)	(263,303)
Administrative expenses paid	(20,045)	(19,216)
Interest on plan assets	150,593	150,404
Return on assets, less interest included in Profit & Loss	69,332	584,857
Market value of plan assets at end of period	5,833,732	6,031,937
Actual return on plan assets	219,925	735,261

The major categories of plan assets for the year ending 30 June 2018 (with comparative figures at 30 June 2017) are as follows:

	2018	2017
Equities	64%	67%
Bonds & Cash	30%	27%
Property	6%	6%
Total	100%	100%

The plan has no investments in property occupied by, assets used by or financial instruments issued by the College.

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes continued

Cambridge Colleges Federated Pension Scheme continued

Analysis of the remeasurement of the net defined benefit liability recognised in Other Comprehensive Income (OCI) for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Return on assets, less interest included in Profit & Loss	69,332	584,857
Expected less actual plan expenses	(8,196)	(7,367)
Experience gains and losses arising on plan liabilities	60,787	29,359
Changes in assumptions underlying the present value of plan liabilities	221,672	(784,351)
Remeasurement of net defined benefit liability recognised in OCI	343,595	(177,502)

Movement in net defined benefit asset/(liability) during the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Net defined asset/(liability) at beginning of year	(2,078,754)	(1,891,980)
Recognised in Profit and Loss	(81,723)	(83,901)
Contributions paid by the College	74,285	74,629
Remeasurement of net defined benefit liability recognised in OCI	343,595	(177,502)
Net defined benefit asset/(liability) at end of year	(1,742,597)	(2,078,754)

Funding Policy

Actuarial valuations are carried out every three years on behalf of the Management Committee, acting as the Trustee of the Scheme, by a qualified independent actuary. The actuarial assumptions underlying the actuarial valuation are different to those adopted under FRS102.

The last such actuarial valuation was as at 31 March 2017. This showed that the plan's assets were insufficient to cover the liabilities on the funding basis. A Recovery Plan has been agreed with the College, which commits the College to paying contributions to fund the shortfall. These deficit reduction contributions are incorporated into the plan's Schedule of Contributions dated 28 June 2018 and are as follows:

- Annual contributions of not less than £48,974 p.a. payable for the period from 1 July 2018 to 31 March 2033.

These payments are subject to review following the next funding valuation, due as at 31 March 2020.

Other Pension Schemes

The College participates in three other pension schemes:

NOW: Pensions

The College appointed NOW: Pensions to provide its workplace pension scheme for its non-academic staff from 1 April 2014. NOW: Pensions provides a defined contribution scheme which invests employer and employee contributions to provide a member specific fund that will be converted into pension on the member's retirement. There were contributions of £9k (2017: £7k) outstanding as at the year end due to NOW: Pensions.

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes continued

Other Pension Schemes continued

Cambridge Colleges Group Personal Pension Scheme

The College offered a defined contribution pension scheme to its non-academic staff until April 2014. The pension cost for this scheme represents contributions payable by the College, plus the set-up costs. There were contributions of £5k (2017: £5k) outstanding as at the year end due to the Cambridge Colleges Group Personal Pension Scheme.

Church of England Funded Pensions Scheme

The College participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOCIE in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns equivalent to 2.6% p.a. on gilts and 4.6% p.a. on return-seeking assets;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit recovery contributions (as a percentage of pensionable stipends) are set out in the table below.

% of pensionable stipends	Jan-16 to Dec-17	Jan-18 to Dec-25
Deficit repair contributions	14.1%	11.9%

As at December 2015, the deficit recovery contributions under the recovery plan in force at that time were 14.1% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules.

MAGDALENE COLLEGE, CAMBRIDGE
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 30 JUNE 2018

22. Pension Schemes continued

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2017	2016
Balance sheet liability at 1 January	23,000	-
Deficit contribution paid	(3,000)	(4,000)
Interest cost (recognised in SOCIE)	-	-
Remaining change to the balance sheet liability* (recognised in SOCIE)	4,000	27,000
Balance sheet liability at 31 December	<u>24,000</u>	<u>23,000</u>

* Comprises change in agreed deficit recovery plan, and change in discount rate and assumptions between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	Dec-17	Dec-16
Discount rate	1.4% pa	1.5% pa
Price inflation	3.0% pa	3.1% pa
Increase to total pensionable payroll	1.5% pa	1.6% pa

The legal structure of the scheme is such that if another Responsible Body fails, Magdalene College (Cambridge) could become responsible for paying a share of that Responsible Body's pension liabilities.

The total pension cost, after personal health insurance contributions, for the year to 30 June (see note 7) was as follows:

	2018	2017
	£000	£000
USS: Contributions	212	228
CCFPS: Charged to SOCIE	6	8
Other Schemes	100	110
	<u>318</u>	<u>346</u>

23. Principal subsidiary and associated undertakings and other significant investments

	Cost £	Class of shares	Holding
Cloverleaf Limited	1	Ordinary	100%

The principal activity of the above company is the development of the grounds and buildings of Magdalene College, Cambridge. This company is included in these consolidated financial statements.

24. Related Party Transactions

Owing to the nature of the College's operations and the composition of its Governing Body, it is inevitable that transactions will take place with organisations in which members of the Governing Body have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's normal procedures.