CLARE COLLEGE, CAMBRIDGE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CLARE COLLEGE, CAMBRIDGE

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

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CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2010

The College is a corporate body consisting of the Master, the Fellows and the Scholars. It was an exempt charity during the year ended 30 June 2010, with its registered office at Trinity Lane, Cambridge CB2 1TL. On 17 August 2010 the Charity Commission confirmed the College as a registered charity with registration number 1137531.

The Governing Body, which consists of the Master, the Fellows and four student members, holds at least three meetings each year. The Council, consisting of the Master, the Senior Tutor and ten Fellows elected by the annual meeting of the Governing Body, and two student members, is responsible for the administration of the College in all matters not specifically assigned to the Governing Body or the Finance Committee. The Finance Committee, consisting of the Master, the Bursars, the Senior Tutor and seven Fellows elected by the Governing Body at its annual meeting, together with two student members, oversees the management of the College estates and investments and administers the revenues in accordance with College Statutes, under the overall direction of the Governing Body. Since the Council and Finance Committee exercise general control and management of the College, their members are the trustees of the charity.

The names of the members of the Governing Body, the Council, the Finance, Audit and Investments Committees as at 30 June 2010 were as follows:

Governing Body

Master: Professor A J Badger
Senior Tutor: Dr P Fara
Bursar: Mr D P Hearn

Professor P M Allmendinger
Mr N H Andrews
Professor A P Balmford
Dr A Bamberg Migliano
Dr P D Bristowe
Mr T C Brown
Dr W J Byrne
Dr R G Cacho
Professor P A Cartledge
Professor C J Clarke
Professor N S Clayton
Dr N Crilly
Dr S M Dalby
Dr C H Duff
Dr M Dunajski
Dr R Dyball
Dr F L Edmonds
Dr P A W Edwards
Dr P B Faulkner
Professor P C Fletcher
Dr T Follini
Professor P J Ford
Dr W A Foster
Dr E A Foyster
Professor S C Franklin
Mrs E M Freeman
Dr A D Friend
Dr M Frolova-Walker
Dr J S Gibson
Dr J Glaurdic
Professor R C Glen
Dr J M Goodman
Professor N C Greenham
Professor H Griffiths
Dr J A Guy
Dr R M Harris
Professor W A Harris
Dr D Hedley
Professor D A Hodell
Dr N B Holdstock
Mr D R Howarth
Ms K E Hughes
Dr J L Huppert
Dr H F Jahn
Mr A L Johnson
Mr S W C Jolly
Dr P H Jones
Dr P F Knewstubb
Dr T W Knighton
Dr M M Lahr
Dr S Lazar
Professor P F Leadley
Dr I Lestas
Dr T M Lewens
Dr A Manica
Dr T Moore
Dr R G R Naismith
Dr G I Olgivie
Dr G F Parker
Professor L C Paulson
Mr M J Petty
Professor R T Phillips
Dr A Philpott
Dr T Potts
Professor J Prabhu
Dr A Preston
Dr W A Pullan
Dr K F Riley
Dr C A Russell
Dr H L Sanson
Dr R S Schofield
The Rev'd Dr G J N Seach
Dr R K Semple
Professor A S Sinclair
Professor M Sprik
Professor R Sterckx
Dr A M Stillman
Dr J A Tasioulas
Professor A G Thomason
Dr H E Thompson
Dr F Toxvaerd
Professor L K Tyler
Dr H W van Veen
Dr M Weeks
Dr C G Weiss
Dr T A H Wilkinson
Dr N H Woodcock
Professor J Woodhouse
Dr G H Wright
Mr A Haines, MCR President
Mr J Tiffin, UCS President

CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2010

Council
The Master
Dr Fara (Senior Tutor)
Mr Hearn (Bursar)
Dr Knighton (Admissions Tutor)
Professor Clayton (Graduate Tutor)
Dr Tasioulas (Financial Tutor)
Mr Petty (Steward)
Dr Dunajski
Dr Edmonds
Dr Friend
Dr Glaurdic
Professor Griffiths
Dr Parker
Mr Haines, MCR President
Mr Tiffin, UCS President

Investments Committee
The Master
Mr Hearn (Bursar)
Mr Cumming (Clare alumnus)
Mr Haynes (Clare alumnus)
Professor Ostriker
Mr Smithers (Clare alumnus)
Mr Smout (Clare alumnus)
Mr Spiers (Clare alumnus)

Finance Committee
The Master
Mr Hearn (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Mr Petty (Steward)
Professor Glen
Professor Greenham
Dr Guy
Professor Phillips
Professor Thomason
Mr Shepley, MCR Treasurer
Mr S Forster, UCS Treasurer

Audit Committee
Professor Glen
Mr Smith (Clare alumnus)
Dr Thompson

Auditors
Prentis & Co LLP
Chartered Accountants
115c Milton Road
Cambridge CB4 1XE

Bankers
Barclays Bank plc
Cambridge Business Centre
Cambridge CB2 3PZ

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

Investment Fund Managers
State Street Global Advisors
25 Bank Street
London E14 5LE

Property Managers
Bidwells Property Consultants
Trumpington Road
Cambridge CB2 2LD

CLARE COLLEGE, CAMBRIDGE

AIMS AND OBJECTIVES OF THE COLLEGE

YEAR ENDED 30 JUNE 2010

The College has a strategic plan, which sets out the College's long term aims in the context of accelerating national and global changes:

- To maintain the College's emphasis on the individual in academic and pastoral provision; to deliver a world-class undergraduate education by safeguarding the provision of small-group teaching through the College-based supervision system; and to achieve excellence in education at both undergraduate and postgraduate levels while maintaining pastoral support through the tutorial system;
- To support a community of Fellows, students and staff, allowing the benefits of a large, internationally renowned University to be realised in a small-scale and close-knit community;
- To promote academic research of the highest quality by Fellows and students;
- To maintain and enhance the endowments and benefactions, historic buildings and grounds of the College for the benefit of future generations.

Remaining an independent foundation, forming part of a collegiate University, is fundamental to the College's long-term strategy. The College endorses the University's mission and core values and agrees that the partnership between the University and the Colleges is central to Cambridge's future development. The College will continue to play an active role in University bodies and in formulating University policy.

Over the coming year, the College is committed to sustaining and enhancing its particular contribution to Cambridge and to society in general, by:

- Maintaining and developing its long-standing commitment to encouraging applications from the most talented students, irrespective of background, in tandem with a needs-blind admissions system supported by a comprehensive bursary programme providing tapered financial assistance;
- Building on the College's strong international links, especially with the USA, to provide students with further opportunities for educational and cultural exchanges, recognising the importance of such exchanges in an increasingly global society;
- Encouraging and being seen to encourage dialogue and creative partnerships between academia, the public and private sectors;
- Supporting the work of the College and its members in community programmes, national and international, through the Clare-Bermondsey Trust, Eric Lane Fund and other activities;
- Fostering excellence in music, through support of the College Choir, the choral and organ scholarships and instrumental awards;
- Reducing the College's carbon, water and waste footprint;
- Preserving and stewarding the College's unique physical setting, as a key part of the nation's architectural heritage.

CLARE COLLEGE, CAMBRIDGE

FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2010

During the year the College continued to pursue its aims and objectives in promoting learning, study and teaching in a community of scholars in the University of Cambridge. The intense pressures on students to achieve the highest academic standards place heavy demands on the College. Clare alumni who were themselves taught by the leading academics of their generation in one-to-one supervisions or small groups understand those pressures, and the need for financial resources to meet them. Clare's financial resources are provided both by our alumni, through donations (which are increasingly vital if we are to maintain our high standards), and by our own operations, as we recognise a clear need to run the College as an efficient organisation.

Standards at the top of Higher Education in global terms are continuing to rise. Clare is determined to stay in the top echelon. Last year this meant spending £7,093 on each undergraduate student, mainly on the intensive support provided by the individual's Director of Studies and supervisors. The total cost of educating 480 undergraduates and supporting 180 registered graduate students came to £3,856,000, which can only be sustained through the generosity of benefactors. The tax payer makes a useful contribution, paying £3,744 for each undergraduate by way of the College Fee, but this leaves a shortfall of £3,349 for each undergraduate student, amounting to 47% of the total cost.

The Browne Review has recently proposed substantial changes to Higher Education funding and student finance. Parliament is expected to decide by March 2011 the precise shape of the changes to be introduced from 2012/13. This is likely to result in a review of the College Fee received by Clare for teaching undergraduates and also to result in Clare students having to pay higher fees themselves, with a commensurate need for increased bursary provision. Increased levels of debt for students will also inevitably lead to heavy pressure on Clare's bursary and hardship funds, which are currently supporting students to the tune of £279,000 this year.

Doubts about the future reliability of the tax payers' contribution make it essential for Clare to reach a self-financing position. The College aims to raise sufficient funds from benefactors to preserve small-group teaching for undergraduates, to support graduate study and also to provide bursaries in support of Clare undergraduates from low income backgrounds. This will entail a significant challenge in raising additional income streams, while continuing to exercise tight constraints on spending.

Financial Results

The College achieved a Net Surplus of £1,701,000, as set out in the Income and Expenditure Account on page 16. This included £1,114,000 of donations of a revenue nature, but it did not include capital donations totalling £1,228,000 in connection with building Lerner Court. These capital donations have been credited to the Statement of Total Recognised Gains and Losses on page 17. The financial results over the last five years were:

Year ended 30 June	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Operating income	11.5	10.8	9.6	9.0	9.3
Exceptional income	0.5	-	-	1.6	-
	12.0	10.8	9.6	10.6	9.3
Expenditure	10.3	9.8	8.9	7.9	7.3
Net Surplus	1.7	1.0	0.7	2.7	2.0

The Net Surplus includes exceptional income of £502,000 on the sale of a graduate house. This profit offset the reduction in the Endowment drawdown, which was set at £2,930,000 (2009:£3,382,000) to reflect the lower level of investment returns in the previous year.

The Net Surplus of £1,701,000 was sufficient this year to cover the transfer of £1,535,000 to the building renewals reserve which is being accumulated to cover a full 2% depreciation charge on the historic buildings. The College's financial position can be described as being adequate without in any way being comfortable. There is still much to be done in providing for graduate students, refurbishing the historic buildings and raising the remuneration of College Teaching Fellows to a realistic level.

Benefactions and Donations

The College is very grateful for the many donations and bequests from Clare members, well-wishers, corporate donors, trusts and foundations which totalled £2,342,000 including the recovery of Gift Aid. This included the College's largest unrestricted gift in recent times, together with significant gifts towards endowing the College's musical provision and the establishment of new bursaries. In addition, the College has been notified of new legacies in favour of Clare totalling £1,127,000. One-fifth of alumni make an annual donation to the College; this is among the highest participation rates in Cambridge and is twice the Oxbridge college average, reflecting the loyalty of Clare alumni and the College's sustained investment in development. The donations and fund raising costs over the last five years were:

Year ended 30 June	2010	2009	2008	2007	2006
Donations	£m	£m	£m	£m	£m
Lerner Court	0.3	1.7	2.6	2.5	0.9
Other	2.0	0.7	0.8	0.7	0.7
	2.3	2.4	3.4	3.2	1.6
Fundraising costs	0.3	0.4	0.3	0.3	0.3
Costs as % of donations	13%	17%	9%	9%	19%

Main Endowment

The market value of the main Endowment portfolio at 30 June 2010 was £61 million, invested in global equities (56%), commercial property in the UK (18%) and short-dated bonds and deposits (26%). The recovery in the equity markets has had a positive impact on the value of the College's portfolio resulting in a total return of 16% (2009:11% negative), as set out below:

Year ended 30 June	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Endowment assets	61.3	51.4	66.0	73.9	66.0
Actual income	2.3	2.6	3.2	3.2	2.7
Gains (losses)	6.7	(9.5)	(6.6)	4.1	5.9
Total return	9.0	(6.9)	(3.4)	7.3	8.6
Endowment drawdown	2.9	3.4	3.0	2.9	2.8
	5.7%	5.1%	4.1%	4.4%	4.7%

The College is able to invest for the very long term as it is free from volatility pressures. With investment returns showing long-term negative serial correlation, the College believes that equity markets were significantly over-valued until October 2008, at which point the College began to re-invest £1 million each month into equities, so as to bring the equity holdings back to the target of 80%. The College's view is that equity markets will continue to be volatile over the next year and that the most efficient way to meet the long term target is by the averaging of the re-investment into equities at £1 million each month when the S&P Index is below 1000. The equity portfolio is invested in global tracker funds with 38% in UK, 23% in US, 12% in Europe, 11% in Japan, 9% in Emerging Markets and 7% in the Pacific Rim. Half the Euro currency exposure is hedged; this resulted in a profit of £259,000 last year. Other foreign currency exposures are not hedged.

The Endowment is invested on a Total Return basis. The total actual income and gains/losses in the year are taken to a reserve, from which the planned Endowment drawdown is released to the Income and Expenditure Account. The remaining balance of the Total Return, after deducting the drawdown, is accumulated within the reserves, as set out in Note 14 on page 26, which shows an accumulated surplus of £12.5 million on the main Endowment.

The College is meeting its target of achieving a total return of 7.5% p.a. (including inflation) over the long-term. Each year the planned drawdown from the Endowment increases by 3.5% to give a steady "dividend" flow to support the work of the College. The drawdown, which is the amount taken out of the Endowment as spendable income, amounted to £2,930,000 in 2010 as compared to the investment income actually received of £2,266,000. The realised and unrealised gains on the Endowment assets amounted to £6,730,000. This resulted in a positive total return of £8,996,000 as set out in Note 3a on pages 20 and 21. The Endowment drawdown of £2,930,000 represented 5.6% of the value of Clare's Endowment at the start of the year which was above the target range of 4.5% to 5.0%. The principles underlying the annual drawdown were reviewed by the Finance Committee during the year and it was agreed that the drawdown should be no more than 4.5% and no less than 4.0% of the trailing three year average of the Endowment value. The aim is to drawdown sufficient each year to support the specific activities designated by the donors while protecting the Endowment against inflation, so preserving the capital for the future.

Inflation Swap Investments

The College decided in October 2008 to take the opportunity of borrowing £15 million index-linked over 40 years. This took the form of a conventional loan from Abbey and an inflation swap contract with HSBC whereby the interest payments on the loan are converted from monetary rates of 4.4% to real rates of 1.1% in return for a cumulative inflation adjustment to the 1.1% interest rate and the value of the loan on repayment. The College is taking advantage of its ability to invest over the very long term at a time of historically very low real interest rates. The annual inflation adjustment to the value of the loan on repayment is capped at a rate of 7%. The £15 million is being invested in global equity tracker funds and left to accumulate over the next 40 years in a ring-fenced fund over which HSBC have a security charge to cover the inflationary liability. The liability to Abbey for the conventional loan of £15 million is secured on the College's outlying operational properties valued at £24 million.

During the first period of the 40 year inflation swap (from October 2008 to June 2010) the level of RPI has risen by 2.9%, with the result that the College's liability to HSBC at June 2010 has increased to £422,000.

At June 2010 the College had invested £7.8 million of the £15 million loan into global equity tracker funds. The intention is to continue to invest in equities over the next year, so as to reach the target of 100% allocation to equities. In 2010 the total return has been £588,000 of which £170,000 has been drawn down to match the net interest cost and fees. The remaining surplus of £418,000 is added to the Total Return reserves as set out in Note 14 on page 26. The cumulative net surplus is £1,812,000 at 30 June 2010, reflecting asset growth of £2,234,000 and cumulative RPI liability of £422,000.

Based on historical experience, the Governing Body considered that this investment in global equity tracker funds should make a positive real return of more than 4% pa compound, as shown by the performance of global equity markets over 40 year periods since 1900. The Governing Body considered that this positive return would represent a significant addition to the College's Endowment, helping achieve the goal of financial independence in the long term, and outweighed the risks involved. These risks have been limited by the annual 7% inflation cap and, in the event that changed economic circumstances make it appropriate, the College has the right to terminate the loan with Abbey and the inflation swap with HSBC early, at the prevailing cost of termination.

Capital Expenditure and Building Renewals

Following the completion of The Gillespie Centre in Lerner Court (in December 2008) and the total refurbishment of Castle End (in June 2009), the College reduced the pace of building renewals last year. The cost of repairing the historic buildings represents a substantial financial commitment by the College each year. The aim is to spend 2% of the insurance replacement value of the College's operational buildings, which is £116 million. This target of spending £2.3m each year on repairing and refurbishing the operational buildings has been achieved in recent years, taking the last three years together. However, this last year the £1.0m expenditure on building renewals fell short of the 2% target. The need to set aside adequate sums to ensure that the ancient buildings are properly maintained over the long term is recognised by the Governing Body. As the depreciation charge of £883,000 is based on the historic cost, an additional sum of £1,535,000 is being set aside to reflect the replacement value of the buildings. This additional sum is shown in the Income and Expenditure Account as a transfer to Building Renewals.

Reserves Policy

The College's unrestricted funds amount to £43.3 million and are represented in the balance sheet by the College's operational buildings, which are used for teaching and residential purposes, and by part of the investment portfolio. The restricted funds amount to £45.9 million, represented by part of the investment portfolio.

The College takes a long-term view of the investment portfolio using a total return basis for deciding on the appropriate amount to draw down each year. This is intended to protect the value of the investment portfolio in real terms and, as a result, to strike an equitable balance between the interests of the present members of the College and future generations.

Any new donations or bequests received during the year are added to unrestricted funds, unless the donor has made it clear that the funds are to be spent on a specific project. Donations for Lerner Court are treated as capital donations and are not included in Income.

Risk Assessment

As part of its supervision of the College's activities, the Finance Committee identifies and considers the major risks to which the College is exposed, and establishes systems and procedures to manage those risks which have been categorised as follow :
Owning and operating buildings, Information technology, Legislation and regulation, Academic and pastoral care, Financial management.

The College within the Community

The College makes a particular point of sharing its facilities with the local community. The College sports grounds on Bentley Road are used by cricket and soccer clubs within the city, and the College grounds in the heart of the city are open to the public for most of the year.

The College is committed to reducing its carbon, water and waste footprint. The College is participating in the Carbon Reduction Commitment scheme, which is a mandatory cap and trade scheme in the UK. The College will be required to purchase 10% of its carbon dioxide consumption and, in the light of its comparative performance, will receive rebates.

Professor A J Badger, Master

Mr D P Hearn, Bursar

8 November 2010

CLARE COLLEGE, CAMBRIDGE

RESPONSIBILITIES OF THE GOVERNING BODY

YEAR ENDED 30 JUNE 2010

The Governing Body is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

In accordance with the College Statutes, the Finance Committee is responsible for the management of the College's estates and the administration of the College’s revenues, subject to the overall control of the Governing Body.

The Finance Committee is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present 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 those financial statements the Governing Body is required to:

- select suitable accounting policies and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF CLARE COLLEGE, CAMBRIDGE

YEAR ENDED 30 JUNE 2010

We have audited the financial statements of the College which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes, for the year ended 30 June 2010 on page 13 to 30. The financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of the College's Governing Body and Auditors

The Governing Body's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Governing Body.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, with the provision of the statutes of the College and with the statutes of the University of Cambridge.

We also report to you if, in our opinion, the Report of the Governing Body is not consistent with the financial statements, if the College has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial review and consider whether it is consistent with the audited financial statements. We consider the implications for our report, if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF CLARE COLLEGE, CAMBRIDGE

YEAR ENDED 30 JUNE 2010

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge in accordance with the provision of Statute G, II of the University of Cambridge and in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for England during the year ended 30 June 2010 has been applied to the purposes for which it was received.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2010 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the accounting policies set out therein and statutes of the College and of the University of Cambridge; and
- the information in the financial review is consistent with the financial statements.

Prentis & Co LLP
Chartered Accountants and Registered Auditors
115c Milton Road
Cambridge
CB4 1XE

Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and the University of Cambridge and applicable Accounting Standards. In addition, the financial statements comply with the Statement of Recommended Practice "Accounting for Further and Higher Education" (the SORP) with the exception of the balance sheet which has been presented in the different format set out in the relevant section of Statutes and Ordinances of the University of Cambridge (RCCA). The provisions of the SORP require Endowments, Deferred Grants and Revaluation Reserves to be disclosed on the face of the balance sheet, whereas RCCA requires that part of this information be disclosed in the notes on the financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment assets, and in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable Accounting Standards.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertaking for the year ended 30 June 2010. The results of any subsidiary undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. The activities of student societies have not been consolidated.

A separate balance sheet and related notes for the College are not included in the financial statements because the College's subsidiary company designs and builds student accommodation only for the College and the balance sheet would not be materially different to the one included in the financial statements.

Recognition of income and endowment return

The College invests its main endowment and its inflation swap investment portfolio and allocates a proportion of the related earnings and capital appreciation to the income and expenditure account as a drawdown in accordance with the total return concept. The main endowment drawdown is determined by a spending rule which is designed to stabilise annual spending levels and to preserve the real value of the endowment portfolio over time. The drawdown on the inflation swap investments is restricted to the amount of the net interest payable and any fees on the 40 year loan and inflation swap. The surplus or deficiency of total return, after deducting the annual drawdowns, is included in the statement of recognised gains and losses for both the main endowment and the inflation swap investments.

Donations and benefactions of an income nature are shown as income in the year in which they become receivable. Benefactions and donations accepted on condition that only the income may be spent are credited to the Balance Sheet as permanent capital funds. The income from a permanent capital fund that is not expended in the year in which it is receivable is, at the year end, transferred from the Income and Expenditure Account to a restricted or unrestricted expendable capital fund, as appropriate. When there is subsequent expenditure of accumulated income from the restricted capital fund, income is credited back to the Income and Expenditure Account from the restricted expendable capital fund to match the expenditure.

Restricted benefactions and donations that are used to fund capital projects are initially credited to a restricted expendable capital fund, and then released over the same estimated useful life that is used to determine the depreciation charge for the capital project.

College fee income is recognised in the year to which it relates and includes all fees chargeable to students or their sponsors. The costs of any fees waived or written off are included as expenditure.

Pension schemes
The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administrated fund. Because of the mutual nature of the scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period. Pension contributions for the defined contribution pension scheme for most of the non-academic staff are accounted for as costs in the year in which they are incurred.

Tangible fixed assets
a. Land and buildings
Land and buildings held for operational purposes are stated at cost. Certain historic buildings are stated at nil value as it is not possible to ascertain their original cost.

Freehold buildings and major refurbishments of the buildings are depreciated on a straight line basis over the expected useful economic life of 50 years and 25 years respectively. In addition a sum is set aside for buildings renewals, as explained in paragraph (b) below. Freehold land is not depreciated.

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

Buildings under construction are valued at cost, based on architect's certificates and other direct costs. They are not depreciated until they are brought into use.

b. Maintenance and Renewal of premises
The College has a five-year rolling maintenance plan, which is reviewed on an annual basis. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred.

The College also sets aside sums on a regular basis to meet major renewal costs, which occur on an irregular basis. These major renewal costs are treated as capital improvements and are added to the cost of buildings, including historic buildings. The sums set aside are held in a designated fund for building renewals, so as to ensure that adequate provision is made over the long term to cover the repair and renewal of the College's operational buildings. The sums set aside each year represent 2% of the current insurance value of the operational buildings; an appropriate deduction is made from the annual transfer to the designated fund for the building depreciation actually charged in the year.

c. Furniture, fittings and equipment

Furniture, fittings and equipment costing less than £3,000 per individual item or group of related items is written off in the year of acquisition. All other assets are capitalised and depreciated over their expected useful life as follows:

Furniture and fittings	10% per annum
Motor vehicles and general equipment	20% per annum
Computer equipment	25% per annum

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

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

Where rare books, silver, works of art and other assets not related to education are acquired with the aid of specific bequests or donations they are capitalised as above. The related benefactions are credited to expendable capital.

Investments

Investments are included in the balance sheet at market value.

Stocks

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

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

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.

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

FOR YEAR ENDED 30 JUNE 2010

		2010	2009
		£'000	£'000
INCOME	Note		
Academic fees	1	2,218	2,154
Residences, catering and conferences	2	4,826	4,095
Main endowment drawdown	3a	2,930	3,382
Drawdown on inflation swap investments	3b	170	242
Revenue donations		1,114	684
Capital donations released		173	82
Profit on sale of assets		502	-
Other income		79	132
Total income		12,012	10,771
EXPENDITURE			
Education	4	4,171	3,953
Residences, catering and conferences	5	4,963	4,650
Interest and fees on inflation swap	6	170	242
Other expenditure		966	910
Total expenditure		10,270	9,755
OPERATING SURPLUS		1,742	1,016
Contribution to Colleges' Fund		37	41
NET SURPLUS BEFORE TRANSFERS		1,705	975
Transfer to building renewals		(1,535)	(1,595)
NET SURPLUS/(DEFICIENCY)		170	(620)

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR YEAR ENDED 30 JUNE 2010

		Unrestricted funds		2010	2009
	Restricted Funds	**Designated Funds**	**Undesignated Funds**	**Total**	**Total**
	£'000	£'000	£'000	**£'000**	£'000
Net surplus/(deficiency) before transfers (Note 15)	(3,234)	-	4,939	**1,705**	975
Surplus/(deficiency) on Total Return					
Main endowment (Note 3a)	5,096	-	829	**5,925**	(10,420)
Inflation swap investments (Note 3b)	-	418	-	**418**	1,394
Capital donations	1,228	-	**-**	**1,228**	1,708
Release of deferred capital donations	(173)	-	**-**	**(173)**	(82)
Transfer to building renewals	-	1,535	(1,535)	**-**	-
Total recognised gains/(losses) for the year	2,917	1,953	4,233	**9,103**	(6,425)
Balance at start of year	42,971	17,891	19,218	**80,080**	86,505
Balance at end of year	45,888	19,844	23,451	**89,183**	80,080

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	Note	**2010** £'000	**2009** £'000
FIXED ASSETS			
Tangible assets	8	25,904	26,611
Endowment investments	9a	61,260	51,419
Inflation swap investments	9b	17,234	15,609
		104,398	93,639
CURRENT ASSETS			
Stocks		338	352
Debtors	10	1,533	1,748
Cash		1,428	1,744
		3,299	3,844
Creditors: amounts falling due within one year	11	3,092	2,403
NET CURRENT ASSETS		207	1,441
Total Assets Less Current Liabilities		104,605	95,080
Creditors: amounts falling due after one year	12	15,422	15,000
TOTAL NET ASSETS		89,183	80,080
CAPITAL AND RESERVES	13		
Restricted funds		45,888	42,971
Unrestricted funds		43,295	37,109
TOTAL FUNDS	15	89,183	80,080

The financial statements on pages 13 to 30 were approved by the Governing Body on 8 November 2010, and signed on their behalf by:

Professor A J Badger, Master

Mr D P Hearn, Bursar

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2010

	Note	2010 £'000	2009 £'000
OPERATING ACTIVITIES			
Operating surplus		1,742	1,016
Less: Investment income and donations		(4,214)	(4,308)
Adjusted deficit		(2,472)	(3,292)
Depreciation	8	1,166	979
Profit on sale of tangible assets		(502)	2
Investment costs	3b	170	242
Capital donations released		(173)	(82)
(Increase)/decrease in stocks		14	5
(Increase)/decrease in debtors		(570)	198
Increase/(decrease) in creditors	11	689	22
Net cash outflow from operating activities		(1,678)	(1,926)
RETURNS ON INVESTMENTS			
Retained endowment income	3a	2,266	2,659
Income from inflation swap	3b	240	281
Interest paid		(310)	(242)
Net cash inflow from returns on investments		2,196	2,698
CONTRIBUTION TO COLLEGES' FUND		(37)	(41)
CAPITAL TRANSACTIONS			
Receipts from sales of endowment investments	9a	8,948	14,558
Receipts from sales of inflation-linked investments	9b	170	-
Receipts from Abbey loan	12	-	15,000
Donations		2,342	2,392
Receipts from disposals of fixed assets		517	-
Total capital receipts		11,977	31,950
Payments to improve operational assets	8	(474)	(7,562)
Payments to acquire endowment investments	9a	(12,060)	(9,379)
Payments to acquire inflation swap investments	9b	(240)	(15,319)
Total capital payments		(12,774)	(32,260)
Net inflow/(outflow) from capital transactions		(797)	(310)
NET INFLOW/(OUTFLOW)		(316)	421
Net liquid funds at start of year		1,744	1,323
Net liquid funds at end of year		1,428	1,744

1 ACADEMIC FEES

	2010	2009
	£'000	£'000
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate: per capita fee £3,744 (2009: £3,612)	1,638	1,557
Privately-funded undergraduate fee income: per capita fee £5,305 (2009:£4,823)	177	196
Fee income received at the graduate fee rate: per capita fee £2,184 (2009: £2,127)	393	397
Other income	10	4
Total	2,218	2,154

2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES

		2010	2009
Accommodation:	College members	2,188	2,005
	Conferences	845	611
Catering:	College members	778	727
	Conferences	1,015	752
Total		4,826	4,095

3a TOTAL RETURN ON MAIN ENDOWMENT

			2010	2009
	Income from restricted funds	Income from unrestricted funds	Total	Total
	£'000	£'000	£'000	£'000
Actual income from:				
Property investments	447	240	687	871
Quoted securities – equities	575	308	882	544
Quoted securities – fixed interest	419	225	644	685
Cash deposits	34	19	53	279
Total Endowment income	1,475	791	2,266	2,379
Gains/(losses) on Endowment assets:				
Property investments	(407)	(264)	(671)	(4,027)
Quoted securities – equities	3,072	1,988	5,060	(5,249)
Quoted securities – fixed interest	1,210	783	1,993	(1,410)
Cash deposits (currency variations)	211	136	347	1,144
Total gains/(losses)	4,085	2,644	6,729	(9,542)
Total Return			8,995	(7,163)

(continued on next page)

3a TOTAL RETURN ON MAIN ENDOWMENT (continued)	**2010**	**2009**
	£'000	£'000
Endowment drawdown included in Income & Expenditure Account	2,930	3,382
Share of Total Return to College Student Societies	140	(125)
Surplus/(deficiency) on Total Return included in Statement of Total Recognised Gains & Losses	5,925	(10,420)
Total Return on Main Endowment	8,995	(7,163)

The Endowment is accounted for on a Total Return basis. The total actual income and gains/losses in the year are taken to a reserve, from which the planned Endowment drawdown is released to the Income and Expenditure Account. The remaining balance of the Total Return, after deducting the drawdown, is accumulated within the reserves, as set out in Note 14.

Investment management costs amounted to £79,000 (2009: £54,000).

3b TOTAL RETURN ON INFLATION SWAP INVESTMENTS	**2010**	**2009**
	£'000	£'000
Actual income from:		
Quoted securities – equities	216	84
Cash deposits	24	477
Total Investment Income	240	561
Total Gains on Investment Assets	1,555	290
Inflation-linked amount due (to) from HSBC (Note 12)	(1,207)	785
Total Return	588	1,636
Endowment drawdown included in Income & Expenditure Account to match the net interest costs and fees in respect of the 40 year loan and inflation swap (see Note 6)	170	242
Surplus on Total Return included in Statement of Total Recognised Gains & Losses	418	1,394
Total Return on Inflation Swap Contracts	588	1,636

The Inflation Swap Contracts are accounted for on a Total Return basis. The total actual income and gains/losses in the year are taken to a reserve, from which a specific drawdown is released to the Income and Expenditure Account. The only drawdown permitted under the terms of the inflation swap is the amount to match the interest and fees related to the 40 year loan and inflation swap. The remaining balance of the Total Return, after deducting the specific drawdown, is accumulated within the reserves, as set out in Note 14.

Investment management costs amounted to £2,000 (2009: £7,000).

4 EDUCATION EXPENDITURE

	2010	2009
	£'000	£'000
Teaching	2,114	1,981
Tutorial	683	660
Admissions	359	323
Research	315	318
Scholarships and awards	570	546
Other educational facilities	130	125
Total	4,171	3,953

Expenditure on Scholarships and Awards includes £279,000 (2009: £273,000) relating to student support from bursaries and hardship funds.

5 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

		2010	2009
Accommodation:	College members	2,614	2,442
	Conferences	1,036	805
Catering:	College members	853	953
	Conferences	460	450
Total		4,963	4,650

6 INTEREST AND FEES ON INFLATION SWAP

	2010	2009
Interest paid to HSBC	168	116
Interest paid to Abbey	666	485
	834	601
Interest received from HSBC	666	485
	168	116
Fees on loan and inflation swap	2	126
Total	170	242

The total interest and fees are matched by the Endowment drawdown as set out in Note 3b.

Interest paid to Abbey and to/from HSBC is calculated on the £15 million loan and inflation swap repayable in 2048, as set out in Note 12.

7 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs (note 17)	Other expenses	Depreciation	2010 Total	2009 Total
	£'000	£'000	£'000	£'000	£'000
Education (note 4)	2,132	1,683	356	4,171	3,953
Residences, catering and conferences (note 5)	2,394	1,758	811	4,963	4,748
Fundraising and alumni relations	217	112	-	329	366
Other expenditure	-	807	-	807	786
	4,743	4,360	1,167	10,270	9,853

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Furniture, fittings and equipment	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
COST				
Cost at start of year	32,106	2,546	34,652	27,129
Additions and improvements at cost	339	135	474	7,562
Disposals at cost	109	-	109	39
Cost at end of year	32,336	2,681	35,017	34,652
DEPRECIATION				
Depreciation at start of year	7,041	1,000	8,041	7,099
Charge for the year	883	283	1,166	979
Depreciation on disposals	94	-	94	37
Depreciation at end of year	7,830	1,283	9,113	8,041
NET BOOK VALUE				
Net book value at end of year	24,506	1,398	25,904	
Net book value at start of year	25,065	1,546	26,611	

Certain historic buildings are stated at nil value, as it is not possible to ascertain their original cost.

The insured value of all the College's operational buildings as at 30 June 2010 was £116 million (2009: £116 million).

The Abbey loan, as set out in Note 12, is secured against certain outlying properties with a market value of £24 million as at October 2008.

9a MAIN ENDOWMENT INVESTMENTS

	Securities and Cash	Property	2010	2009
	£'000	£'000	£'000	£'000
Market value at start of year	39,652	11,767	51,419	66,015
Acquisitions at cost	11,781	279	12,060	9,379
Proceeds on disposal	(8,627)	(321)	(8,948)	(14,558)
Realised gain/(loss) on disposal	860	14	874	(1,358)
Net gain/(loss) on revaluation at year end	6,540	(685)	5,855	(8,059)
Market value at end of year	50,206	11,054	61,260	51,419

	2010	2009
Represented by:		
Property investments	11,054	11,767
Quoted securities - equities	33,722	25,804
Quoted securities - fixed interest	5,095	8,416
Unquoted securities - equities	829	498
Cash held for reinvestment	10,560	4,934
Total	61,260	51,419

The College wholly owns the subsidiary company Clare College Limited, which is registered in the UK. The original cost of the investment by the College was £530,000 representing 530,000 issued shares at £1. Clare College Limited was dormant until 2006 and its main activity is the management of construction projects. Its level of reserves for 2010 is £28,000 (2009:£28,000).

9b INFLATION SWAP INVESTMENTS

	Securities	Cash	2010	2009
	£'000	£'000	£'000	£'000
Market value at start of year	8,229	7,380	15,609	-
Acquisitions at cost	216	24	240	15,561
Proceeds on disposal	-	(170)	(170)	(242)
Add: net gain on revaluation at year end	1,543	12	1,555	290
Market value at end of year	9,988	7,246	17,234	15,609

	2010	2009
Represented by:		
Quoted securities – equities	9,998	8,229
Cash held for reinvestment	7,246	7,380
Total	17,234	15,609

The inflation swap investments are secured against the inflation-linked liability payable to HSBC in 2048, as set out in Note 12.

10 DEBTORS

	2010	2009
	£'000	£'000
Members of College	75	73
Trade debtors	118	88
Loans	66	97
Inflation-linked amount due from HSBC	-	785
Prepayments	182	10
Other debtors	1,092	695
	1,533	1,748

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
Social Security and other taxation payable	112	107
Members of College	232	206
Trade creditors	385	363
College student societies	1,282	1,078
Deferred income: conference deposits	757	151
Other creditors	328	498
	3,096	2,403

12 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2010	2009
Loan repayable in 2048 to Abbey	15,000	15,000
Inflation-linked amount due to HSBC	422	-
	15,422	15,000

In October 2008 the College entered into a contract with Abbey National Treasury Services Plc to borrow £15 million at 4.4% interest repayable in full in October 2048 and with HSBC Bank Plc for an inflation swap to turn the conventional loan into an index-linked loan at a real interest rate of 1.1%. This inflation swap includes a 7% inflation cap. The Abbey loan of £15 million is secured against outlying operational properties with a market value of £24 million (net book value £7.5 million). The HSBC inflation swap is secured on the £15 million investment fund over which HSBC has a lien. The College is investing the £15 million in global equity tracker funds, accumulating income over the next 40 years to meet the RPI index-linked liability to HSBC and the £15 million liability to Abbey.

At 30 June 2010 the value of the investments was £17,234,000 (2009:£15,609,000) and the liabilities to Abbey and HSBC totalled £15,422,000. The increase of £1,207,000 in the inflation-linked liability during the year is shown as a reduction on Total Return as set out in Note 3b and the liability is included in Creditors in Note12.

13 CAPITAL AND RESERVES

	Expendable capital funds £'000	Permanent capital funds £'000	2010 Total £'000	2009 Total £'000
Restricted funds				
Trust funds (held for collegiate purposes)	19,611	18,734	38,345	36,449
Deferred capital funds:Lerner Court	7,543	-	7,543	6,522
	27,154	18,734	45,888	42,971
Unrestricted funds				
Designated funds	19,844	-	19,844	17,891
Undesignated funds:				
General capital	13,797	-	13,797	9,564
Permanent capital	-	9,654	9,654	9,654
	60,795	28,388	89,183	80,080

The Capital and Reserves are invested in the following categories of assets:

	Fixed Assets £'000	Investments £'000	Net Current Assets £'000	40 Year Loan £'000	Total £'000
Restricted funds					
Expendable capital	-	27,154	-	-	27,154
Permanent capital	-	18,734	-	-	18,734
Unrestricted funds					
Designated, expendable capital	2,453	32,606	207	(15,422)	19,844
Expendable capital	13,797	-	-	-	13,797
Permanent capital	9,654	-	-	-	9,654
Total at end of year	25,904	78,494	207	(15,422)	89,183
Total at start of year	26,611	67,028	1,441	(15,000)	80,080

14 TOTAL RETURN RESERVES

Within the Reserves representing Investments held by the College, the following are the cumulative surpluses of total return on the main Endowment and on the inflation swap investments and liabilities (after deducting the annual drawdowns) since 1 July 1999 :

	Main Endowment £'000	Inflation Swap Investments £'000	2010 Total £'000	2009 Total £'000
Total at start of year	6,130	1,394	7,524	16,675
Total Return for year (Note 3)	8,995	588	9,583	(5,527)
Endowment drawdown	(2,930)	(170)	(3,100)	(3,624)
Total at end of year	12,195	1,812	14,007	7,524

15 MOVEMENTS IN CAPITAL AND RESERVES

	Balance at start of year	Movement in year Increase	Reduction	Balance at end of year
	£'000	£'000	£'000	£'000
Restricted funds				
Expendable capital	26,829	325	-	27,154
Permanent capital	16,142	2,592	-	18,734
	42,971	2,917	-	45,888
Unrestricted funds				
Designated, expendable capital	17,891	1,953	-	19,844
Expendable capital	9,564	4,233	-	13,797
Permanent capital	9,654	-	-	9,654
	37,109	6,186	-	43,295
	80,080	9,103	-	89,183

The increase in restricted funds of £2,917,000 during the year is recognised in the Consolidated Statement of Total Recognised Gains and Losses after allocating £3,234,000 of educational costs to specific restricted funds.

16 ANALYSIS OF RESTRICTED AND DESIGNATED UNRESTRICTED FUNDS

	Restricted funds	Designated Unrestricted funds	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
Fellowships Funds	8,199	-	8,199	9,749
Scholarships Funds	12,583	-	12,583	11,637
Prize Funds	1,032	-	1,032	910
Bursary and Hardship Funds	6,127	-	6,127	5,284
Travel Grants Funds	602	-	602	453
Lerner Court Fund	7,543	-	7,543	6,522
Building Renewals Fund	4,868	18,032	22,900	19,439
2048 Investment Fund	-	1,812	1,812	1,395
Other Funds	4,934	-	4,934	5,473
Total	45,888	19,844	65,732	60,862

The investment gains/losses on the Endowment are apportioned to all the relevant restricted and unrestricted funds.

17 STAFF

	College Fellows £'000	**Non-Academic** £'000	**2010 Total** £'000	**2009 Total** £'000
Staff costs:				
Emoluments	1,232	2,866	4,098	3,896
Social security costs	72	253	325	305
Other pension costs (see note 20)	116	204	320	278
	1,420	3,323	4,743	4,479
Average numbers:				
College Fellows who are also members of the Governing Body, of whom 60 were remunerated (2009: 58)			93	89
Non-academic staff: full time equivalents			126	124

No College officer or employee (including the Head of House) received remuneration of over £100,000.

18 RELATED PARTY TRANSACTIONS

The University provides the majority of the College's Fellows with their primary employment, provides teaching jointly with the College, examines the undergraduate students and provides research facilities for the graduate students. The University pays fees to the College from the public money it receives from students who are based in the United Kingdom and the European Union in return for the College's role in admitting students, teaching them and ensuring their welfare. University tuition fees are billed to students by the College acting as the University's agent, and therefore these amounts (£2.8 million in 2010) are not included as income to the College in the financial statements.

Fellows are remunerated for teaching, research and other duties within the College, according to the fellowship class in which they are elected. Fellows are billed for any private catering, which is not part of the normal allowances. The College offers Fellows assistance with external housing on a shared equity basis.

The Union of Clare Students is paid a membership fee (£39,000 in 2010) and provides sporting and social facilities to students.

19 PENSION SCHEMES

The College operates a defined contribution pension scheme mainly for non-academic employees which is contracted into the State Second Pension (S2P) and it also participates in the Universities Superannuation Scheme (USS), a defined benefit scheme mainly for academic employees. USS is externally funded and is contracted out of the State Second Pension. The assets of both schemes are held in separate trustee-administered funds. For the Universities Superannuation Scheme the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The total pension cost for the College was £320,000 (2009: £278,000). The contribution rate payable by the College was increased from 14% to 16% of pensionable salaries on 1 October 2009 for the USS (£116,000 in 2010) and remained at 11.3% for the College's defined contribution scheme (£204,000 in 2010).

The latest actuarial valuation of the USS was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the market value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increase in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions)

19 PENSION SCHEMES (continued)

giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

The College contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the College contribution rate to 16% of pensionable salaries from 1 October 2009.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a 'last man standing' scheme so that in the event of the insolvency of any participating employers in the USS, the amount of any pension funding shortfall (which can not otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

In the event of the College ceasing to have any contributing members there would be a liability in respect of a proportion of the deficit. At 31 March 2010, USS had over 135,000 active members and the College has 21 active members participating in this scheme. The College has no current intention of ceasing to participate in the scheme, and in such an event the liability would not be significant.