Clare College, Cambridge

Financial statements
for the year ended 30 June 2012

Contents

Governing Body, Committees and Advisors
for the year ended 30 June 2012

The College is a corporate body consisting of the Master, the Fellows and the Scholars of Clare College, Cambridge as provided by the College's charter in 1359 and statutes made in 2001. The College is a registered charity with registration number 1137531 and registered office at Trinity Lane, Cambridge, CB2 1TL.

The names of the members of the Governing Body and the Committees charged with the governance of the College during the year ended 30 June 2012 were as follows:

Governing Body

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

Professor P M Allmendinger
Professor N H Andrews
Professor A P Balmford
Dr P D Bristowe
Dr A E Brown
Mr T C Brown
Dr W J Byrne
Dr R G Cacho
Dr A Carter
Professor P A Cartledge
Mr W M Cavert
Professor C J Clarke
Professor N S Clayton
Professor G Corsetti
Dr N Crilly
Dr S M Dalby
Dr C H Duff
Dr M Dunajski
Dr F L Edmonds
Dr P A W Edwards
Dr P B Faulkner
Dr A Ferguson
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 Glaudic
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 C Holdstock
Professor A B Holmes
Mr D R Howarth
Dr K E Hughes
Dr H F Jahn
Mr A L Johnson
Mr S W C Jolley
Dr P H Jones
Dr P F Knewstubb
Dr M M Lahr
Dr S Lazar
Professor P F Leadley
Dr I Lestas
Dr T M Lewens
Professor O Leyser
Dr K E McDougall
Ms F Malaree
Dr C W Melnyk
Dr T Moore
Dr R G R Naismith
Dr G I Ogilvie
Dr M M Parish
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 W N Quillen
Dr K F Riley
Ms C O Roberts
Professor J C Robertson
Mr G A C Ross
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 R I Watson
Dr M Weeks
Dr C G Weiss
Dr T A H Wilkinson
Dr N H Woodcock
Professor J Woodhouse
Dr G H Wright
Ms J Wyburd
Mr B Waxse MCR President
Mr M Chonofsky, UCS President to 1 April 2012
Mr F Todd, UCS President from 1 April 2012

All members of the Finance Committee and Council on appointment are given copies of the Statutes of the College and a note drawing attention to the policy for the management of conflicts of interest and the requirements of the Charity Commission regarding such conflicts of interest.

Governing Body, Committees and Advisors
for the year ended 30 June 2012

Council
The Master
Professor Cartledge (Acting Master)
Dr Fara (Senior Tutor)
Mr Hearn (Bursar)
Dr Hughes (Admissions Tutor)
Dr Dunajski (Graduate Tutor)
Dr Tasioulas (Financial Tutor)
Dr Friend
Dr Frolova-Walker
Dr Gibson
Professor Hodell
Dr Quillen
Dr Stillman
Mr Petty (Steward)
Mr Waxse (MCR President)
Mr Chonofsky (UCS President to 1 April 2012)
Mr Todd (UCS President from 1 April 2012)

Finance Committee
The Master
Professor Cartledge (Acting Master)
Mr Hearn (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Professor Allmendinger
Dr Foyster
Professor Glen
Professor Greenham
Professor Phillips
Dr Thompson
Ms Malaree (Development Director)
Mr Petty (Steward)
Mr Grouille (MCR Treasurer)
Mr Manzi (UCS Treasurer to 1 April 2012)
Mr Saleh (UCS Treasurer from 1 April 2012)

Auditors
PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge CB3 0AN

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

Property Managers
Bidwells Property Consultants
Trumpington Road
Cambridge CB2 2LD

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)

Stipends and Salaries Committee
Professor Glen
Professor Greenham
Mr Howarth

Audit Committee
Professor Glen
Professor Prabhu
Mr Smith (Clare alumnus)
Mr Moulder (Clare alumnus)

Estates Committee
Professor Phillips
Professor Allmendinger
Professor Balmford
Professor Glen
Dr Lazar
Dr van Veen
Mr Petty (Steward)
Mr Hearn (Bursar)

Bankers
Barclays Bank plc
9-11 St Andrews Street
Cambridge CB2 3AA

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

Aims and Objectives of the College
for the year ended 30 June 2012

The College's strategic plan sets out the College's long term aims in the context of accelerating national and global changes as follows:

- to maintain its 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, increasingly rare amongst the world's top research universities; 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 foster and support a community of active alumni contributing to the life and future of the College;
- to promote academic research of the highest quality;
- 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 within 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**.**

Within the collegiate University, Clare offers distinctive strengths. 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 programme of financial assistance;
- building on the College's strong international links to provide students with further opportunities for educational and cultural exchanges, recognising the importance of such exchanges in an increasingly global society;
- supporting active engagement by the College and its members in the local community and in community activities nationally and internationally;
- fostering excellence in music, through support of the College Choir, the choral and organ scholarships and instrumental awards.

Financial Review
for the year ended 30 June 2012

During the year the College continued to pursue its charitable aims 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. During the year this meant spending £7,696 on each undergraduate student, mainly on the intensive support provided by the individual's Director of Studies and supervisors. The total cost of educating 465 undergraduates and supporting 181 fee-paying graduate students came to £4,390,000, which can only be sustained through the generosity of benefactors. The tax payer makes a useful contribution, paying £3,951 for each undergraduate by way of the College Fee, but this leaves a shortfall of £3,745 for each undergraduate student, amounting to 49% of the total cost.

Substantial changes to Higher Education funding and student finance are being introduced from 2012/13. This has resulted in a review of the College Fee received by Clare for teaching undergraduates and it will also result in Clare students having to pay substantially 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 hardship funds. During the year the College made bursary and hardship grants totalling £341,000 to students, some of whom also received reduced charges for their accommodation.

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 £874,000, as set out in the Income and Expenditure Account on page 18. This included £291,000 of donations of a revenue nature. In addition, new endowments amounting to £1,393,000 have been credited to the Statement of Total Recognised Gains and Losses on page 19. The financial results over the last five years were:

Year ended 30 June	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Operating income	10.6	10.5	11.1	10.8	9.6
Exceptional income	-	-	0.5	-	-
	10.6	10.5	11.6	10.8	9.6
Expenditure	9.7	9.6	10.0	9.8	8.9
Net Surplus	0.9	0.9	1.6	1.0	0.7

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 support for teaching posts in College, refurbishing Old Court and raising sufficient bursary funds to support students in hardship.

Financial Review
for the year ended 30 June 2012

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 £1,795,000 (Note 4) including the recovery of Gift Aid. This included significant gifts towards endowing the College's musical provision and the establishment of new bursaries. 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	2012	2011	2010	2009	2008
Donations	£m	£m	£m	£m	£m
Lerner Court	0.1	0.2	0.3	1.7	2.6
Other	1.7	1.7	2.0	0.7	0.8
	1.8	1.9	2.3	2.4	3.4
Fundraising costs	0.4	0.3	0.3	0.4	0.3
Costs as % of donations	22%	16%	13%	17%	9%

The College has recently approved a fundraising strategy to launch a new Development Campaign for Clare. The targeted campaign will aim to increase the overall size of the College's unrestricted funds, supporting teaching and bursaries, by adding at least £30 million to the College's endowment. It will also aim to meet most of the £20 million costs of the refurbishment of Old Court by increasing the overall levels of donations to the College from alumni and other individuals as well as from foundations and corporations over the next 15 years.

Main Endowment

The market value of the main investment portfolio at 30 June 2012 was £67.3 million, invested in global equities (61%), commercial property in the UK (19%) and short-dated bonds and deposits (20%). The fall in the equity markets in the June quarter had a negative impact on the value of the College's portfolio resulting in a total return of -1.4% (2011:13.6%), as set out below:

Year ended 30 June	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Investment assets	67.3	69.5	61.3	51.4	66.0
Actual net income	2.6	2.5	2.2	2.6	3.2
(Losses)/gains	(3.4)	6.1	6.7	(9.5)	(6.6)
Total return	(0.8)	8.6	8.9	(6.9)	(3.4)
Endowment drawdown	2.7	2.6	2.9	3.4	3.0
Drawdown as a % of Endowment	4.4%	4.4%	4.5%	5.0%	4.5%

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 at 30 June 2012 and that equity markets will continue to be volatile over the next year. The College considers that the most efficient way to meet the long term target of 80% in equities is by re-investing at the rate of £1 million each month when the S&P Index (which is seen as the most appropriate proxy for global equity markets) is below 1100; at 30 June 2012 the index was 24% higher than 1100.

The equity portfolio is invested in global tracker funds with 26% in UK, 25% in US, 16% in Europe, 15% in Japan, 11% in Emerging Markets and 7% in the Pacific Rim. 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 21, which shows an accumulated surplus of £14.5 million on the main Endowment.

Financial Review
for the year ended 30 June 2012

The College has achieved a total return of 4.8% p.a. since 2002 which is below the long-term target of 7.5% p.a. 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 £2,660,000 in 2012 as compared to the net investment income actually received of £2,507,000. The realised and unrealised losses on the portfolio amounted to £3,281,000. This resulted in a negative total return of £774,000 as set out in Note 3a. The Endowment drawdown of £2,660,000 represented 4.4% of the value of Clare's Endowment which was in line with the target range of 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 draw down 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.

Liquidity

The College has positive cash flow generated from its operational surplus after drawing down cash of £2,660,000 from the Endowment. The operational cash balances available at 30 June 2012 amounted to £4,672,000 which is being used to fund the major construction work, costing £5.8 million, on graduate accommodation in Newnham Road from September 2012. The cash deposits within the Endowment are placed through professional brokers to obtain beneficial interest rates on the short-term deposits.

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 Santander 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 RPI 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 Santander 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 2012) the level of RPI has risen by 12%, with the result that the College's liability to Santander and HSBC at June 2012 has increased to £16,794,000.

At June 2012 the College had invested £9 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 2012 the total return has been a deficit of £1,167,000 which is deducted from the Total Return reserves as set out in Note 21. The cumulative net surplus is £1,833,000 at 30 June 2012, reflecting asset growth of £3,627,000 and cumulative RPI liability of £1,794,000.

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 Santander and the inflation swap with HSBC early, at the prevailing cost of termination.

Capital Expenditure and Buildings Renewals

Following the completion of Lerner Court (in 2008) and the total refurbishment of Castle End (in 2009), the College has reduced the pace of building renewals over the last three years. The cost of repairing the historic buildings represents a substantial financial commitment by the College each year. The aim is to spend 1.5% of the insurance replacement value of the College's operational buildings, which is £171 million. This target of spending each year on repairing and refurbishing the operational buildings has not been achieved over the last three years; this last year the College spent only £0.5 million on building renewals, a fifth of the 1.5% target of £2.6 million. However, in August 2012 the College started a £5.8 million project to re-develop the site on Newnham Road which will provide new accommodation for 39 post-graduate students in September 2013.

Financial Review
for the year ended 30 June 2012

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. A professional survey of the condition of all the College buildings was carried out during the year. This confirmed that the College should be committing over £2 million each year on maintaining the buildings and it set out the priorities for early refurbishment. The Governing Body will be considering during this autumn the programme for refurbishing Old Court which is expected to require funding of more than £20 million.

Reserves Policy

The College's unrestricted funds and reserves amount to £61 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 £35 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.

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 procedures to manage those risks. Although risks can be identified and managed, the College is exposed to a number of risks which cannot be covered by insurance or mitigated in other ways. The age of the historic buildings means that problems can occur without warning and at considerable expense.

Public Benefit as a Charity

The College has met its responsibilities regarding public benefit by providing, in conjunction with the University of Cambridge, an education for some 646 undergraduate and graduate students which is recognised internationally as being of the highest standard. This education develops students academically 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 and individual or small-group supervision, as well as pastoral, administrative and academic support through its tutorial and graduate mentoring systems;
- social, cultural, musical, recreational and sporting facilities to enable each of its students to realise as much as possible of their academic and personal potential whilst studying at the College;
- specialist choral musical education for its students in the College's internationally renowned choir.

The College advances research through:

- providing Research Fellowships to outstanding academics at the early stages of their careers, which enables 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;
- supporting research work pursued by its other Fellows through promoting interaction across disciplines, providing facilities and providing grants for national and international conferences, research trips and research materials;
- encouraging visits from outstanding academics from abroad;
- encouraging the dissemination of research undertaken by members of the College through the publication of papers in academic journals or other suitable means.

The College maintains an extensive Library (including important special collections), so providing a valuable resource for students and Fellows of the College, for members of other Colleges and the University of Cambridge more widely, and for external scholars and researchers.

The College's students are the primary beneficiaries of its educational activities. Students are selected in an open application process, based solely on academic merit, and hence form a section of the public that is not unreasonably restricted. The College operates a needs-blind admissions process, and (in conjunction with the University of Cambridge) provides a significant level of bursary support to students who might otherwise be put off from applying by financial concerns. The educational benefits provided by the College extend to students from other Colleges, to visiting schoolchildren, and to the alumni of the College who have the opportunity to attend educational events at the College, and use its academic facilities. Furthermore, the public benefit of the provision of high-quality education goes beyond the benefits to the students themselves. Whether through the vocational skills or the broader intellectual development acquired at the College, its students become qualified to make valuable and distinctive contributions in the public sphere which have a wide public benefit.

Financial Review
for the year ended 30 June 2012

The research advanced by the College is disseminated through publications and oral presentations. Its results are therefore publicly available and constitute a clear public benefit. The beneficiaries include the international community of scholars in the fields concerned, and the wider public who benefit through the intellectual, economic, civic and cultural development that is facilitated through the dissemination of high-quality research.

The College within the Community

The College makes a particular point of sharing its facilities with the local community. The College's sports grounds on Bentley Road and the Boat house on the Cam are used extensively by cricket, soccer and rowing clubs within the city. The College grounds in the historic 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, and is actively promoting environmental awareness among Fellows, students and staff.

Professor A J Badger, Master Mr D P Hearn, Bursar

5 November 2012

Statement of Corporate Governance
for the year ended 30 June 2012

1. The following statement is provided by the Governing Body to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

2. The College is a registered charity (registered number 1137531) and is subject to regulation by the Charity Commission for England and Wales.

3. 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, together with 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 and are responsible for ensuring compliance with charity law.

4. The Governing Body, Council and Finance Committee are advised in carrying out their duties by a number of Committees including the Audit Committee, Investments Committee, Stipends and Salaries Committee and Estates Committee. Membership of these Committees is set out on page 3. The Audit Committee includes two Clare alumni with extensive experience in professional auditing. While the Investments Committee is chaired by the Master and serviced by the Bursar, all the other members are seasoned City professionals with extensive experience in managing global investments. The Stipends and Salaries Committee advises on the remuneration and benefits of Fellows and staff; the members are not employed by the College and as such are able to make a disinterested assessment of the College's remuneration policies. The Estates Committee is chaired by a member of the Finance Committee and advises on the effective care and maintenance of all the College buildings and oversees the environmental aspects of the College's work.

5. The senior officers of the College are the Master, Senior Tutor, Bursar, Steward, and Development Director. These senior officers meet each week during Term, together with the President of the Fellowship, to review the business of the College.

6. It is the duty of the Audit Committee to keep under review the effectiveness of the College's internal systems of financial and other controls; to advise on the appointment of external auditors; to consider reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; and to make an annual report to the Finance Committee. During the previous year the external audit was put out to tender. PricewaterhouseCoopers LLP have been appointed auditors for the year ended 30 June 2012.

7. There is a Register of Interests for members of the Finance Committee and Council including all the senior officers. Declarations of interest are made systematically at meetings.

Statement of Internal Control
for the year ended 30 June 2012

1. The Finance Committee is responsible for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives while safeguarding funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve College 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 achieving those policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. This process was in place for the year ended 30 June 2012 and up to the date of approval of the financial statements.

3. The Finance Committee is responsible for reviewing the effectiveness of the system of internal control. The following processes have been established:

a) The Finance Committee meets six times through the year.

b) The Audit Committee normally meets twice each year. It receives reports from the external auditors, including their independent opinion on the adequacy and the effectiveness of the College's system of internal control and risk management together with recommendations for improvement.

c) The Finance Committee reviews the effectiveness of the system of internal control as informed by the work of the Audit Committee, Bursar and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

d) The Finance Committee compares the College's costs and operational performance against the key performance indicators produced for all Cambridge Colleges to identify those areas where improvements can best be made.

4. The Finance Committee and the Audit Committee review the Risk Register which is checked and updated each year by the senior administrative staff and considered in detail by the College officers.

Statement of Responsibilities of the Governing Body
for the year ended 30 June 2012

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

2. 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.

3. The College 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 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.

4. 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 have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

5. 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Governing Body
for the year ended 30 June 2012

We have audited the financial statements of Clare College, Cambridge ('the College') for the year ended 30 June 2012 which comprise the Statement of Principal Accounting Policies, 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities trustees and auditors

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 12, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the College's Governing Body as a body in accordance with the College's Statutes of the University of Cambridge and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the financial review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion of financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2012, and of its income and expenditure and cash flows, 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, the College's Statutes and the Statutes of the University of Cambridge;
- 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; and
- in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for the year ended 30 June 2012 has been applied to the purposes for which it was received.

Independent Auditors' Report to the Governing Body
for the year ended 30 June 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

14 November 2012

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

Statement of Principal Accounting Policies
for the year ended 30 June 2012

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 income and expenditure account 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 of expenditure by activity, required by the SORP, is set out in the notes.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments which are included at valuation.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking. Intra-group balances are eliminated on consolidation.

The consolidated financial statements do not include the activities of student societies as these are separate bodies in which the College had no financial interest and over whose policy decisions it has no control.

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

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.

Donations and benefactions

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the income and expenditure account. Donations which are to be retained for the future benefit of the College, and other donations with substantially restricted purposes (other than for the acquisition or construction of tangible fixed assets) are recognised in the statement of total recognised gains and losses as new endowments.

Capital donations

Donations are received for the purpose of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital donations when the related capital expenditure is incurred and released to income over the estimated useful life of the respective assets in line with the depreciation policy. Donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the income and expenditure account in the year of acquisition.

Other income

Income is received from a range of activities including residences, catering and conferences. Income is recognised on the exchange of the relevant services.

Endowment and investment income

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 surplus or deficiency of total return, after deducting the annual drawdown, is included in the statement of recognised gains and losses for both the main endowment and the inflation swap investments.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates or, where there are forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of the income and expenditure for the financial year.

Statement of Principal Accounting Policies
for the year ended 30 June 2012

Tangible Fixed Assets

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. Freehold land is not depreciated.

Where buildings are acquired with the aid of specific donations they are capitalised and depreciated as above.

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

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.

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:

Boiler room and chapel organ	4% per annum
Furniture and fittings	10% per annum
Motor vehicles and general equipment	20% per annum
Computer equipment	20% and 25% per annum

Where equipment is acquired with the aid of specific donations it is capitalised and depreciated as above.

Heritage assets

The College holds and conserves a numbers of collections, exhibits, artefacts and other assets of historical, artistic and scientific importance. In accordance with FRS 15 and FRS 30 (Heritage assets) heritage assets acquired before 1 July 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 July 1999 have been capitalised at cost, or in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Investments

Fixed asset investments and endowment assets are included in the balance sheet at mid-market value. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their 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 benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxation

The College is a registered charity (number 1137531) 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.

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 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.

Statement of Principal Accounting Policies
for the year ended 30 June 2012

Pension costs

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 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.

Consolidated Income and Expenditure Account
for the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Income			
Academic fees and charges	1	2,326	2,312
Residences, catering and conferences	2	5,094	4,746
Endowment drawdown	3a	2,660	2,570
Donations	4	291	536
Capital donations released	18	158	175
Donated heritage assets	9	-	50
Other income		121	87
Total income		**10,650**	**10,476**
Expenditure			
Education	5	4,390	4,074
Residences, catering and conferences	6	4,591	4,742
Other expenditure		743	773
Total expenditure		**9,724**	**9,589**
Operating surplus on continuing operations		**926**	**887**
Contribution to Colleges' Fund		52	46
Net surplus on continuing operations		**874**	**841**
Transfer to accumulated income within restricted expendable capital		(357)	(77)
Surplus for the year retained within general reserves		**517**	**764**

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 30 June 2012

	Notes	Restricted Funds £'000	Unrestricted Funds £'000	2012 £'000	2011 £'000
Surplus on income and expenditure account		-	517	517	764
Reinvested trust fund receipts and income retained		357	-	357	77
(Deficit)/surplus on Total Return:					
Main endowment	3a	(1,619)	(1,793)	(3,412)	5,845
Inflation swap investments	3c	-	(1,167)	(1,167)	1,189
Reallocation of 2011 donation to endowment	19	328	(328)	-	-
New endowments	19	1,393	-	1,393	1,098
Total recognised gains/(losses) relating to the year		**459**	**(2,771)**	**(2,312)**	**8,973**
Reconciliation					
Opening reserves and endowments		26,825	63,523	90,348	81,375
Total recognised gains/(losses) for the year		459	(2,771)	(2,312)	8,973
Closing reserves and endowments		27,284	60,752	88,036	90,348
Deferred capital donations		7,753	-	7,753	7,800
TOTAL FUNDS		**35,037**	**60,752**	**95,789**	**98,148**

Consolidated Balance Sheet
for the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	24,484	24,998
Investments	10	26,464	28,677
Inflation swap investments	11	18,627	19,226
		69,575	72,901
Endowment assets			
Endowment investments	10	40,827	40,834
Current assets			
Stock	12	308	315
Debtors	13	788	1,327
Cash at bank and in hand	14	4,672	1,703
		5,768	3,345
Creditors : amounts falling due within one year	15	3,587	2,706
Net current assets		2,181	639
Total assets less current liabilities		112,583	114,374
Creditors : amounts falling due after more than one year	16	16,794	16,226
NET ASSETS		**95,789**	**98,148**

		Restricted Funds £'000	Unrestricted Funds £'000	2012 £'000	2011 £'000
Deferred capital donations	18	7,753	-	7,753	7,800
Endowments					
Expendable endowments	19	668	-	668	614
Permanent endowments	19	26,616	13,543	40,159	40,220
		27,284	13,543	40,827	40,834
Reserves					
General reserve	20	-	20,745	20,745	20,837
Fixed asset investment reserve	20	-	26,464	26,464	28,677
		-	47,209	47,209	49,514
TOTAL FUNDS		**35,037**	**60,752**	**95,789**	**98,148**

The financial statements on pages 15 to 32 were approved by the Governing Body on 5 November 2012 and signed on their behalf by:

Professor A J Badger, Master

Mr D P Hearn, Bursar

Consolidated Cash Flow Statement
for the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow/(outflow) from operating activities	22	676	(622)
Returns on investments and servicing of finance	23	2,683	2,364
Capital expenditure and financial investment	23	(390)	(1,467)
Increase in cash in the year		2,969	275
Cash at start of year		1,703	1,428
Cash at end of year		**4,672**	**1,703**

Notes to the financial statements
for the year ended 30 June 2012

1 Academic fees and charges

	2012 £'000	2011 £'000
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate:per capita fee £3,951 (2011:£3,861)	1,719	1,690
Privately-funded undergraduate fee income:per capita fee £6,295 (2011:£5,835)	191	242
Fee income received at the graduate fee rate:per capita fee £2,289 (2011:£2,229)	416	369
Other income	-	11
	2,326	2,312

2 Income from residences, catering and conferences

		2012 £'000	2011 £'000
Accommodation	College members	2,243	2,172
	Conferences	1,124	1,015
Catering	College members	607	600
	Conferences	1,120	959
		5,094	4,746

3a Total return on investments

	2012 £'000	2011 £'000
Actual income from:		
Land and buildings	857	827
Quoted equity securities	1,345	1,305
Fixed interest securities	270	295
Other interest receivable	125	110
	2,597	2,537
Gains/(losses) on endowment assets:		
Land and buildings	98	(336)
Quoted and other securities and cash	(3,379)	6,483
Investment management costs (note 3b)	(90)	(82)
Total return on investments	(774)	8,602
Endowment drawdown included in income and expenditure account	2,660	2,570
Share of total return to College student societies	(22)	187
(Deficit)/surplus on total return included within statement of total recognised gains and losses (note 21)	(3,412)	5,845
Total return on investments	(774)	8,602

The endowment and fixed assets investments 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 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 21.

3b Investment management costs

	2012 £'000	2011 £'000
Land and buildings	42	39
Quoted securities	9	9
Fixed interest securities	-	-
Other investments	23	18
Cash	16	16
Total	90	82

Notes to the financial statements
for the year ended 30 June 2012

	2012 £'000	2011 £'000
3c Total return on inflation swap contracts		
Actual income from:		
Quoted securities	315	248
Other interest receivable	35	36
	350	284
(Losses)/gains on inflation swap asset	(753)	1,897
Inflation-linked amount due to HSBC (note 16)	(568)	(804)
Interest and fees (note 3d)	(196)	(188)
Total return on inflation swap contracts (note 21)	(1,167)	1,189

The inflation swap contracts are accounted for on a total return basis. The total actual income and gains/losses in the year is accumulated within the reserves, as set out in note 21. There is no drawdown permitted under the terms of the inflation swap.

3d Interest and fees on inflation swap contracts

	2012 £'000	2011 £'000
Interest paid to HSBC	(183)	(177)
Interest paid to Santander	(671)	(666)
	(854)	(843)
Interest received from HSBC	671	666
	(183)	(177)
Fees on inflation swap investments	(13)	(11)
	(196)	(188)

Interest paid to Santander and to/from HSBC is calculated on the £15 million loan and inflation swap repayable in 2048 (note 16).

Notes to the financial statements
for the year ended 30 June 2012

4 Donations

	2012 £'000	2011 £'000
Unrestricted donations included in income and expenditure account	291	536
Restricted donations included in statement of recognised gains and losses	1,393	1,098
Deferred capital donations received (note 18)	111	226
	1,795	1,860

5 Education expenditure

	2012 £'000	2011 £'000
Teaching	2,174	2,143
Tutorial	678	722
Admissions and access	741	555
Research	407	334
Scholarships and awards	250	186
Other educational facilities	140	134
	4,390	4,074

6 Residences, catering and conferences expenditure

		2012 £'000	2011 £'000
Accommodation	College members	2,180	2,496
	Conferences	1,171	1,069
Catering	College members	682	671
	Conferences	558	506
		4,591	4,742

7a Analysis of 2012 expenditure by activity

	Staff costs (note 8) £'000	Other expenses £'000	Depreciation £'000	2012 £'000
Education	2,289	1,746	355	4,390
Residences, catering and conferences	2,436	1,353	802	4,591
Fundraising and alumni relations	183	173	-	356
Other	-	387	-	387
	4,908	3,659	1,157	9,724

7b Analysis of 2011 expenditure by activity

	Staff costs (note 8) £'000	Other expenses £'000	Depreciation £'000	2011 £'000
Education	2,162	1,465	447	4,074
Residences, catering and conferences	2,478	1,247	1,017	4,742
Fundraising and alumni relations	198	141	-	339
Other	-	434	-	434
	4,838	3,287	1,464	9,589

Notes to the financial statements
for the year ended 30 June 2012

7c Auditors' remuneration

	2012 £'000	2011 £'000
Other operating expenses include:		
Audit fees payable to the College's external auditors	14	13
Other fees payable to the College's external auditors	-	1
	14	14

8 Staff costs

	College Fellows £'000	Other academic £'000	Non-academic £'000	2012 £'000	2011 £'000
Emoluments	1,035	255	2,946	4,236	4,226
Social security costs	75	-	254	329	307
Other pension costs (see note 24)	125	-	218	343	305
	1,235	255	3,418	4,908	4,838

	2012	2011
Average numbers:		
College Fellows who are also members of the Governing Body, of whom 75 were remunerated (2011 : 66)	105	91
Non-academic staff : full time equivalents	119	122
Total	224	213

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

9 Tangible Fixed Assets

Cost	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	Heritage assets £'000	2012 £'000	2011 £'000
At start of year	32,720	2,801	50	35,571	34,983
Additions and improvements at cost	433	246	-	679	592
Disposals at cost	-	(117)	-	(117)	(4)
At end of year	33,153	2,930	50	36,133	35,571
Depreciation					
At start of year	9,015	1,558	-	10,573	9,113
Charge for the year	883	274	-	1,157	1,464
Eliminated on disposals	-	(81)	-	(81)	(4)
At end of year	9,898	1,751	-	11,649	10,573
Net book value					
At end of year	23,255	1,179	50	24,484	
At start of year	23,705	1,243	50	24,998	

All the 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 2012 was £171 million (2011 : £163 million).
The Santander loan, as set out in note 16, is secured against certain outlying properties with a market value of £24 million as at October 2008.

Notes to the financial statements
for the year ended 30 June 2012

9 Tangible Fixed Assets (continued)

The College holds and conserves certain collections, artefacts and other assets of historical, artistic or scientific importance. As stated in the statement of principal accounting policies, heritage assets acquired since 1999 have been capitalised. However most of the assets held in the College's collections were acquired prior to this date. As 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 partial.

Amounts for the current and previous four years were as follows:

	2012	**2008 - 2011**
	£'000	**£'000**
Acquisitions purchased with specific donations	-	-
Acquisitions purchased with College funds	-	-
Total cost of acquisitions purchased	-	-
Value of acquisitions by donation	-	50
Total acquisitions capitalised	-	50

10 Endowment and fixed asset investments

	Securities and cash	**Property**	**2012**	**2011**
	£'000	**£'000**	**£'000**	**£'000**
Market value at start of year	58,518	10,993	69,511	61,260
Acquisitions at cost	1,806	1,661	3,467	4,212
Proceeds on disposal	(2,406)	-	(2,406)	(2,108)
Realised gain/(loss) on disposal	293	-	293	(262)
Net (loss)/gain on revaluation	(3,672)	98	(3,574)	6,409
Market value at end of year	54,539	12,752	67,291	69,511
Represented by:				
Property investment			12,752	10,993
Quoted securities - equities			39,365	41,398
Quoted securities - fixed interest			3,002	3,324
Unquoted securities - equities			1,517	1,184
Cash held for reinvestment			10,655	12,612
Total			67,291	69,511
Fixed asset investments			26,464	28,677
Endowment assets (note 19)			40,827	40,834
Total			67,291	69,511

11 Inflation swap investments

	Securities	**Cash**	**2012**	**2011**
	£'000	**£'000**	**£'000**	**£'000**
Market value at start of year	12,115	7,111	19,226	17,234
Acquisitions at cost	1,295	-	1,295	230
Disposals	-	(1,141)	(1,141)	(135)
Net (loss)/gain on revaluation	(753)	-	(753)	1,897
Market value at end of year	12,657	5,970	18,627	19,226
Represented by:				
Quoted securities - equities			12,657	12,115
Cash held for reinvestment			5,970	7,111
Market value at end of year			18,627	19,226

The inflation swap investments are secured against the inflation-linked liability payable to HSBC in 2048, as set out in note 16.

Notes to the financial statements
for the year ended 30 June 2012

12 Stocks

	2012 £'000	2011 £'000
Goods for resale	304	312
Other stocks	4	3
Total	308	315

13 Debtors

	2012 £'000	2011 £'000
Members of the College	122	143
University fees	-	9
Other debtors	251	295
Prepayments and accrued income	415	880
	788	1,327

14 Cash at bank and in hand

	2012 £'000	2011 £'000
Bank deposits	4,155	722
Current accounts	514	976
Cash in hand	3	5
	4,672	1,703

15 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	428	258
Members of the College	186	295
University fees	16	-
College student societies	1,439	1,453
Contribution to Colleges' fund	52	46
Other creditors	199	90
Accruals and deferred income	1,267	564
	3,587	2,706

The College holds investments of £1,379,000 (2011:£1,428,000) on behalf of student societies which is included within the £1,439,000 (2011:£1,453,000) owed to College student societies.

16 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Loan repayable in 2048 to Santander	15,000	15,000
Inflation-linked amount due to HSBC	1,794	1,226
	16,794	16,226

On October 2008 the College entered into a contract with Santander to borrow £15 million at 4.4% repayable in full in October 2048 and with HSBC 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 Santander 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 Santander.

At 30 June 2012 the value of the investments was £18,627,000 (2011:£19,226,000) and the liabilities to Santander and HSBC totalled £16,794,000 (2011:£16,226,000). The increase of £568,000 in the inflation-linked liability during the year is shown as a reduction on total return as set out in note 3c and the liability is included in creditors in note 16.

Notes to the financial statements
for the year ended 30 June 2012

17 Capital and other commitments

	2012 £'000	2011 £'000
40-52 Newnham Road development		
Authorised and contracted for pre-construction services	176	-

18 Deferred capital donations

	2012 £'000	2011 £'000
Balance at start of year	7,800	7,749
Donations received for Lerner Court	111	226
Released to income and expenditure account	(158)	(175)
Balance at end of year	7,753	7,800

19 Endowments

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2012 £'000	2011 £'000
Balance at start of year:						
Capital	5,107	17,276	22,383	-	22,383	19,334
Unspent income	8,902	8,935	17,837	614	18,451	19,011
New endowments received in year	-	1,156	1,156	237	1,393	1,098
New endowment received in previous year	-	328	328	-	328	
Income receivable from endowment asset investments	584	1,107	1,691	26	1,717	1,547
Expenditure	(263)	(607)	(870)	(169)	(1,039)	(4,169)
(Decrease)/increase in market value of investments	(787)	(1,579)	(2,366)	(40)	(2,406)	4,013
Balance at end of year	13,543	26,616	40,159	668	40,827	40,834
Comprising:						
Capital	4,826	17,706	22,532	-	22,532	22,383
Unspent income	8,717	8,910	17,627	668	18,295	18,451
	13,543	26,616	40,159	668	40,827	40,834

Representing:

	2012 £'000	2011 £'000
Fellowship funds	6,193	6,260
Scholarship funds	13,356	13,964
Prize funds	1,182	1,197
Hardship funds	5,233	5,273
Bursary funds	3,436	2,476
Travel grant funds	620	621
Building renewals fund	5,417	5,510
General endowments	5,390	5,533
	40,827	40,834

The investment return on the endowment is apportioned to all relevant restricted and unrestricted funds.

During the year, it was identified that a donation of £328,000 received in the prior year, which had been included in the consolidated income and expenditure account as a general donation should in fact have been classified as a new endowment. The amount of £328,000 has been reclassified from unrestricted to restricted funds during the year.

Notes to the financial statements
for the year ended 30 June 2012

20 Reserves

	General reserves £'000	Fixed asset investment reserve £'000	2012 £'000	2011 £'000
Balance at start of year	20,837	28,677	49,514	43,030
(Deficit)/surplus retained for the year	(92)	(1,045)	(1,137)	4,088
(Decrease)/increase in market value of investments	-	(1,168)	(1,168)	2,396
Balance at end of year	20,745	26,464	47,209	49,514

21 Memorandum of Total Return Reserves

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

	Main investments £'000	Inflation swap investments £'000	2012 £'000	2011 £'000
Balance at start of year	17,900	3,000	20,900	13,866
(Deficit)/surplus of total return for year (note 3)	(3,412)	(1,167)	(4,579)	7,034
Balance at end of year	14,488	1,833	16,321	20,900

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22 Reconciliation of consolidated operating surplus to net cash inflow/(outflow) from operating activities

	2012 £'000	2011 £'000
Surplus on continuing operations	874	841
Depreciation on tangible fixed assets	1,157	1,464
Loss on disposal of tangible fixed assets	36	-
Deferred capital grants released to income	(158)	(175)
Endowment drawdown	(2,660)	(2,570)
Decrease in stocks	7	23
Decrease in debtors	539	181
Increase/(decrease) in creditors	881	(386)
Net cash inflow/(outflow) from operating activities	676	(622)

23 Cash flows

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Endowment and investment income received	2,597	2,537
Income from inflation swap investments	350	284
Share from/(to) College student societies	22	(187)
Interest and investment management costs paid	(286)	(270)
Net cash inflow from returns on investments and servicing of finance	2,683	2,364
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(679)	(592)
Donations for buildings received	111	226
Endowments received	1,393	1,098
Proceeds on disposal of endowment investments	2,406	2,108
Purchase of endowment investments	(3,467)	(4,212)
Proceeds on disposal of inflation swap investments	1,141	135
Purchase of inflation swap investments	(1,295)	(230)
Net cash outflow from capital expenditure and financial investment	(390)	(1,467)

Notes to the financial statements
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24 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 £343,000 (2011: £305,000). The contribution rate payable by the College was 16% of pensionable salaries for the USS (£125,000 in 2012) and was 11.3% for the College's defined contribution scheme (£218,000 in 2012).

The latest triennial actuarial valuation of the USS was at 31 March 2011. This was the second 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 actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimates of the funding level at 31 March 2012 are also included in this note.

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 (i.e. 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the market value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 but the allowance for promotional salary increases was not as high. 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.

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24 Pension Schemes (continued)

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

New Entrants
Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal Pension Age
The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost Sharing
If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension Increase Cap
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the end of the year, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS 17 basis, using a AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

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.

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 2011, USS had over 145,000 active members and the College has 24 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.