

Clare College, Cambridge

Financial statements
for the year ended 30 June 2013

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Governing Body, Committees and Advisors for the year ended 30 June 2013

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 2013 were as follows:

Governing Body

Master: Professor A J Badger
Senior Tutor: Dr P Fara
Bursar: Mr D P Hearn (retired 16.09.13)
Mr P C Warren (from 16.09.13)

Professor P M Allmendinger	Dr J A Guy	Ms C O Roberts
Professor N H Andrews	Dr R M Harris	Professor J C Robertson
Professor A P Balmford	Professor W A Harris	Mr G A C Ross
Dr P D Bristowe	Dr D Hedley	Dr C A Russell
Dr A E Brown	Professor D A Hodell	Dr H L Sanson
Mr T C Brown	Dr N C Holdstock	Dr R S Schofield
Dr W J Byrne	Professor A B Holmes	The Rev'd Dr G J N Seach
Dr R G Cacho	Mr D R Howarth	Dr R K Semple
Dr A Carter	Dr K E Hughes	Professor A S Sinclair
Professor P A Cartledge	Dr H F Jahn	Dr M Smith (from 01.10.12)
Mr W M Cavert	Mr A L Johnson	Professor M Sprik
Professor C J Clarke	Mr S W C Jolley	Professor R Sterckx
Professor N S Clayton	Dr P H Jones	Dr A M Stillman
Professor G Corsetti	Dr P F Knewstubb	Dr J A Tasioulas
Dr N Crilly	Dr M M Lahr	Professor A G Thomason
Dr S N Dalby (to 28.02.13)	Dr S Lazar	Dr H E Thompson
Dr C H Duff	Professor P F Leadley	Dr F Toxvaerd
Dr M Dunajski	Dr I Lestas	Professor L K Tyler
Dr F L Edmonds	Dr T M Lewens	Dr H W van Veen
Dr P A W Edwards	Professor O Leyser	Dr R I Watson
Dr P B Faulkner	Dr K E McDougall	Dr M Weeks
Dr A Ferguson	Ms F Malaree	Dr C G Weiss
Professor P C Fletcher	Dr C W Melnyk	Dr T A H Wilkinson
Dr T Follini	Dr T Moore	Dr N H Woodcock
Professor P J Ford (dec'd 08.04.13)	Dr R G R Naismith	Professor J Woodhouse
Dr W A Foster	Dr G I Ogilvie	Dr G H Wright
Dr E A Foyster	Dr M M Parish	Ms J Wyburd
Professor S C Franklin	Dr G F Parker	Mr B Waxse MCR President
Mrs E M Freeman	Professor L C Paulson	Mr F Todd, UCS President (to 01.04.13)
Dr A D Friend	Mr M J Petty	Mr H Peto, UCS President (from 01.04.13)
Dr M Frolova-Walker	Professor R T Phillips	
Dr J S Gibson	Dr A Philpott	
Dr A de Gispert (from 01.10.12)	Dr T Potts (to 01.04.13)	
Dr J Glaudic	Professor J Prabhu	
Professor R C Glen	Dr A Preston	
Dr J M Goodman	Dr W A Pullan	
Professor N C Greenham	Dr W N Quillen	
Professor H Griffiths	Dr K F Riley	

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 2013

Council

Professor Badger (The 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
Ms J Wyburd
Mr Petty (Steward)
Ms Peeters (MCR President)
Mr Todd (UCS President to 1 April 2013)
Mr Peto (UCS President from 1 April 2013)

Finance Committee

Professor Badger (The Master)
Mr Hearn (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Professor Allmendinger
Dr Foyster
Professor Glen
Professor Greenham
Dr Philpott
Dr Russell
Ms Malaree (Development Director)
Mr Petty (Steward)
Mr Etherington (MCR Treasurer)
Mr Saleh (UCS Treasurer to 1 April 2013)
Mr Russell (UCS Treasurer from 1 April 2013)

Independent 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

Professor Badger (The Master)
Mr Hearn (Bursar)
Professor Greenham
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 Prabhu
Dr Faulkner
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

N.B. Mr Hearn retired as Bursar on 16.09.13 and was replaced by Mr Warren.

Aims and Objectives of the College for the year ended 30 June 2013

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 2013

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 £7,391 on each undergraduate student, mainly on the intensive support provided by the individual's Director of Studies and supervisors. The total cost of educating 489 undergraduates and supporting 181 fee-paying graduate students came to £4,162,000, which can only be sustained through the generosity of benefactors. The College receives a contribution equalling an average of £4,017 for each undergraduate by way of the College Fee, but this leaves a shortfall of £3,374 for each undergraduate student, amounting to 46% of the total cost.

Substantial changes to Higher Education funding and student finance has resulted 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 £377,000 (2012: £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 £2,182,000 (2012: £874,000), as set out in the Income and Expenditure Account on page 18. Much of this additional surplus came from a substantially higher level of donations of a revenue nature which were £1,511,000 in the year (2012: £291,000). In addition, new endowments amounting to £1,916,000 (2012: £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	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Operating income	12.5	10.6	10.5	11.1	10.8
Exceptional income	—	—	—	<u>0.5</u>	—
	12.5	10.6	10.5	11.6	10.8
Expenditure	<u>10.3</u>	<u>9.7</u>	<u>9.6</u>	<u>10.0</u>	<u>9.8</u>
Net Surplus	<u>2.2</u>	<u>0.9</u>	<u>0.9</u>	<u>1.6</u>	<u>1.0</u>

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 2013

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 £3,692,000 (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	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Donations					
Lerner Court	0.1	0.1	0.2	0.3	1.7
Old Court	0.2	-	-	-	-
Other	<u>3.4</u>	<u>1.7</u>	<u>1.7</u>	<u>2.0</u>	<u>0.7</u>
	3.7	1.8	1.9	2.3	2.4
Fundraising costs	0.4	0.4	0.3	0.3	0.4
Costs as % of donations	11%	22%	16%	13%	17%

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 2013 was £81.1 million (Note 10), invested in global equities (58%), commercial property in the UK (22%) and short-dated bonds and deposits (20%). The turnaround in the equity markets has had a positive impact on the value of the College's portfolio resulting in a total return of 18.3% (2012:-1.4%), as set out below:

Year ended 30 June	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Investment assets	81.1	67.3	69.5	61.3	51.4
Actual net income	2.8	2.6	2.5	2.2	2.6
Gains/(losses)	<u>9.9</u>	<u>(3.4)</u>	<u>6.1</u>	<u>6.7</u>	<u>(9.5)</u>
Total return	12.7	(0.8)	8.6	8.9	(6.9)
Endowment drawdown	2.8	2.7	2.6	2.9	3.4
Drawdown as a % of Endowment	4.2%	4.4%	4.4%	4.5%	5.0%

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 2013 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 2013 the index was 46% higher than 1100.

The equity portfolio is invested in global tracker funds with 27% in UK, 27% in US, 18% in Europe, 16% in Japan, 10% in Emerging Markets and 2% 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 22, which shows an accumulated surplus of £24.1 million on the main Endowment.

Financial Review for the year ended 30 June 2013

While the College has achieved a total return of 7.3% p.a. over the last ten years, there are concerns that the returns over the next ten years may not meet 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 £2,753,000 in 2013 as compared to the net investment income actually received of £2,683,000. The realised and unrealised gains on the portfolio amounted to £9,971,000. This resulted in a positive total return of £12,654,000 as set out in Note 3a. The Endowment drawdown of £2,753,000 represented 4.2% of the value of Clare's Endowment which was marginally above the target range of no more than 4.0% and no less than 3.5% of the trailing three year average of the Endowment value. The target range has been reduced during this year to reflect the concerns over the long-term returns to be expected. 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 £2,753,000 from the Endowment. The operational cash balances available at 30 June 2013 amounted to £2,737,000 which has been used to fund the remainder of the major construction work on graduate accommodation in Newnham Road which was completed in October 2013. 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 was 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 2013) the level of RPI has risen by 15%, with the result that the College's liability to Santander and HSBC at June 2013 has increased to £17,278,000. At June 2013 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 2013 the total return has been a surplus of £1,916,000 which is added to the Total Return reserves as set out in Note 22. The cumulative net surplus is £3,749,000 at 30 June 2013.

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 reduced the pace of building renewals over the next three years. In August 2012 the College started a £5.8 million project to re-develop the site on Newnham Road which was completed in November 2013 to provide new accommodation for 39 post-graduate students.

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 £172 million.

Financial Review for the year ended 30 June 2013

The need to set aside adequate sums to ensure that the historic 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 has 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 current year 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 £71 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 £40 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, an education for some 670 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;
- the employment of College Teaching Officers who, in addition to their role as Directors of Studies and supervisors of students, maintain important research interests within the University;
- 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 more widely, and for external scholars and researchers.

Financial Review for the year ended 30 June 2013

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) 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. The College also supports an extensive access and outreach programme to primary and secondary schools in the London Boroughs of Tower Hamlets and Hackney, through which it aims to raise the aspirations of younger people in these parts of London. 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.

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 Boathouse 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 P Warren, Bursar

25 November 2013

Statement of Corporate Governance for the year ended 30 June 2013

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 its 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 the 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, most of 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.
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 2013

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 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 2013 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 observations on 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 2013

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 2013

We have audited the financial statements of Clare College, Cambridge ('the College') for the year ended 30 June 2013 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and College Balance Sheets, 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 Statutes and the 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 Group's and College's affairs as at 30 June 2013, and of the Group's 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 2013 has been applied to the purposes for which it was received.

Independent Auditors' Report to the Governing Body for the year ended 30 June 2013

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

25 November 2013

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 2013

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.

During the year, it was identified that costs amounting to £323,000 had been classified as education expenditure in the year ended 30 June 2012, when a more appropriate classification would have been to classify those costs as residences, catering and conference expenditure. The comparative amounts have therefore been restated, with no impact on the net surplus on continuing operations nor the surplus for the year retained within the general reserves.

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 undertakings. 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.

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 2013

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 number 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 2013

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 USS 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 2013

	Notes	2013 £'000	2012 Restated £'000
Income			
Academic fees and charges	1	2,737	2,326
Residences, catering and conferences	2	5,267	5,094
Endowment drawdown	3a	2,753	2,660
Donations	4	1,511	291
Capital donations released	19	156	158
Other income		123	121
Total income		12,547	10,650
Expenditure			
Education	5	4,162	4,067
Residences, catering and conferences	6	5,484	4,914
Other expenditure		665	743
Total expenditure		10,311	9,724
Operating surplus on continuing operations		2,236	926
Contribution to Colleges' Fund		54	52
Net surplus on continuing operations		2,182	874
Transfer to accumulated income within restricted expendable capital		(20)	(357)
Surplus for the year retained within general reserves		2,162	517

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2013

	Notes	Restricted Funds £'000	Unrestricted Funds £'000	2013 £'000	2012 £'000
Surplus on income and expenditure account		-	2,162	2,162	517
Reinvested trust fund receipts and income retained		20	-	20	357
Surplus/(deficit) on Total Return:					
Main endowment	3a	3,377	6,296	9,673	(3,412)
Inflation swap investments	3c	-	1,916	1,916	(1,167)
New endowments	20	1,916	-	1,916	1,393
Total recognised gains/(losses) relating to the year		5,313	10,374	15,687	(2,312)
Reconciliation					
Opening reserves and endowments		27,284	60,752	88,036	90,348
Total recognised gains/(losses) for the year		5,313	10,374	15,687	(2,312)
Closing reserves and endowments		32,597	71,126	103,723	88,036
Deferred capital donations		7,862	-	7,862	7,753
TOTAL FUNDS		40,459	71,126	111,585	95,789

Balance Sheets as at 30 June 2013

	Notes	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Fixed assets					
Tangible assets	9	26,307	26,273	24,484	24,450
Investments	10	33,013	33,013	26,464	26,464
Inflation swap investments	11	21,024	21,024	18,627	18,627
		<u>80,344</u>	<u>80,310</u>	<u>69,575</u>	<u>69,541</u>
Endowment assets					
Endowment investments	10	48,040	48,040	40,827	40,827
Current assets					
Stock	13	302	302	308	308
Debtors	14	1,853	2,145	788	810
Cash at bank and in hand	15	2,737	2,079	4,672	4,660
		<u>4,892</u>	<u>4,526</u>	<u>5,768</u>	<u>5,778</u>
Creditors : amounts falling due within one year	16	4,413	4,282	3,587	3,485
Net current assets		<u>479</u>	<u>244</u>	<u>2,181</u>	<u>2,293</u>
Total assets less current liabilities		128,863	128,594	112,583	112,661
Creditors : amounts falling due after more than one year	17	17,278	17,278	16,794	16,794
NET ASSETS		<u><u>111,585</u></u>	<u><u>111,316</u></u>	<u><u>95,789</u></u>	<u><u>95,867</u></u>
Deferred capital donations	19	7,862	7,862	7,753	7,753
Endowments					
Expendable endowments	20	794	794	668	668
Permanent endowments	20	47,246	47,246	40,159	40,159
		<u>48,040</u>	<u>48,040</u>	<u>40,827</u>	<u>40,827</u>
Reserves					
General reserve	21	22,670	22,401	20,745	20,823
Fixed asset investment reserve	21	33,013	33,013	26,464	26,464
		<u>55,683</u>	<u>55,414</u>	<u>47,209</u>	<u>47,287</u>
TOTAL FUNDS		<u><u>111,585</u></u>	<u><u>111,316</u></u>	<u><u>95,789</u></u>	<u><u>95,867</u></u>

The financial statements on pages 15 to 32 were approved by the Governing Body on 25 November 2013 and signed on their behalf by:

Professor A J Badger, Master

Mr P Warren, Bursar

Consolidated Cash Flow Statement for the year ended 30 June 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	23	325	676
Returns on investments and servicing of finance	24	2,634	2,683
Capital expenditure and financial investment	24	(4,894)	(390)
(Decrease)/increase in cash in the year		(1,935)	2,969
Cash at bank and in hand at start of year		4,672	1,703
Cash at bank and in hand at end of year		2,737	4,672

Notes to the financial statements for the year ended 30 June 2013

	2013	2012
	£'000	£'000
1 Academic fees and charges		
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate: 330 at £3,951 and 130 at £4,500 (2012: 435 at £3,951)	1,848	1,719
Privately-funded undergraduate fee income: 29 at £6,590 (2012: 30 at £6,295)	191	191
Fee income received at the graduate fee rate: 181 at £2,349 (2012: 182 at £2,289)	425	416
Cambridge Bursary Scheme	273	-
	<u>2,737</u>	<u>2,326</u>
2 Income from residences, catering and conferences		
Accommodation		
College members	2,226	2,243
Conferences	1,214	1,124
Catering		
College members	646	607
Conferences	1,181	1,120
	<u>5,267</u>	<u>5,094</u>
3a Total return on investments		
Actual income from:		
Land and buildings	1,029	857
Quoted equity securities	1,362	1,345
Fixed interest securities	269	270
Other interest receivable	111	125
	<u>2,771</u>	<u>2,597</u>
Gains/(losses) on endowment assets:		
Land and buildings	2,799	98
Quoted and other securities and cash	7,172	(3,379)
Investment management costs (note 3b)	(88)	(90)
Total return on investments	<u>12,654</u>	<u>(774)</u>
Endowment drawdown included in income and expenditure account	2,753	2,660
Share of total return to College student societies	228	(22)
Surplus/(deficit) on total return included within statement of total recognised gains and losses (note 22)	<u>9,673</u>	<u>(3,412)</u>
Total return on investments	<u>12,654</u>	<u>(774)</u>
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 22.		
3b Investment management costs		
Land and buildings	36	42
Quoted securities	11	9
Other investments	27	23
Cash	14	16
Total	<u>88</u>	<u>90</u>

Notes to the financial statements for the year ended 30 June 2013

	2013	2012
	£'000	Restated £'000
3c Total return on inflation swap contracts		
Actual income from:		
Quoted securities	359	315
Other interest receivable	19	35
	<u>378</u>	<u>350</u>
Gains/(losses) on inflation swap asset	2,221	(753)
Increase in inflation-linked amount due to HSBC (note 17)	(484)	(568)
Interest and fees (note 3d)	(199)	(196)
Total return on inflation swap contracts (note 22)	<u>1,916</u>	<u>(1,167)</u>

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 22. There is no drawdown permitted under the terms of the inflation swap.

3d Interest and fees on inflation swap contracts

Interest paid to HSBC	(188)	(183)
Interest paid to Santander	(661)	(671)
	<u>(849)</u>	<u>(854)</u>
Interest received from HSBC	664	671
	<u>(185)</u>	<u>(183)</u>
Fees on inflation swap investments	(14)	(13)
	<u>(199)</u>	<u>(196)</u>

Interest paid to Santander and to/from HSBC is calculated on the £15 million loan and inflation swap repayable in 2048 (note 17).

4 Donations

Unrestricted donations included in income and expenditure account	1,511	291
Restricted donations included in statement of recognised gains and losses	1,916	1,393
Deferred capital donations received (note 19)	265	111
	<u>3,692</u>	<u>1,795</u>

5 Education expenditure

Teaching	2,012	1,953
Tutorial	649	633
Admissions and access	753	695
Research	409	397
Scholarships and awards	191	250
Other educational facilities	148	139
	<u>4,162</u>	<u>4,067</u>

Notes to the financial statements for the year ended 30 June 2013

		2013	2012
		£'000	Restated £'000
6 Residences, catering and conferences expenditure			
Accommodation	College members	2,557	2,371
	Conferences	1,314	1,164
Catering	College members	711	618
	Conferences	902	761
		<u>5,484</u>	<u>4,914</u>

7a Analysis of 2013 expenditure by activity

	Staff costs (note 8) £'000	Other expenses £'000	Depreciation £'000	2013 £'000
Education	2,340	1,457	365	4,162
Residences, catering and conferences	2,550	2,109	825	5,484
Fundraising and alumni relations	240	148	-	388
Other	-	277	-	277
	<u>5,130</u>	<u>3,991</u>	<u>1,190</u>	<u>10,311</u>

7b Analysis of 2012 expenditure by activity

	Staff costs (note 8) £'000	Other expenses £'000	Depreciation £'000	2012 £'000
Education	2,289	1,423	355	4,067
Residences, catering and conferences	2,436	1,676	802	4,914
Fundraising and alumni relations	183	173	-	356
Other	-	387	-	387
	<u>4,908</u>	<u>3,659</u>	<u>1,157</u>	<u>9,724</u>

7c Auditors' remuneration

	2013 £'000	2012 £'000
Other operating expenses include:		
Audit fees payable to the College's external auditors	20	14
	<u>20</u>	<u>14</u>

8 Staff costs

	College Fellows £'000	Other academic £'000	Non-academic £'000	2013 £'000	2012 £'000
Emoluments	1,071	260	3,104	4,435	4,236
Social security costs	81	-	260	341	329
Other pension costs (see note 25)	129	-	225	354	343
	<u>1,281</u>	<u>260</u>	<u>3,589</u>	<u>5,130</u>	<u>4,908</u>

Average numbers:

College Fellows who are also members of the Governing Body, of whom 67 were remunerated (2012 : 75)	105	105
Non-academic staff : full time equivalents	122	119
Total	<u>227</u>	<u>224</u>

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

Notes to the financial statements for the year ended 30 June 2013

9 Tangible Fixed Assets

Group	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	Heritage assets £'000	2013 £'000	2012 £'000
Cost					
At start of year	33,153	2,930	50	36,133	35,571
Additions and improvements at cost	2,664	432	12	3,108	679
Disposals at cost	(294)	(33)	-	(327)	(117)
At end of year	35,523	3,329	62	38,914	36,133
Depreciation					
At start of year	9,898	1,751	-	11,649	10,573
Charge for the year	879	311	-	1,190	1,157
Eliminated on disposals	(201)	(31)	-	(232)	(81)
At end of year	10,576	2,031	-	12,607	11,649
Net book value					
At end of year	24,947	1,298	62	26,307	
At start of year	23,255	1,179	50	24,484	

College	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	Heritage assets £'000	2013 £'000	2012 £'000
Cost					
At start of year	33,119	2,930	50	36,099	35,571
Additions and improvements at cost	2,664	432	12	3,108	679
Disposals at cost	(294)	(33)	-	(327)	(117)
At end of year	35,489	3,329	62	38,880	36,133
Depreciation					
At start of year	9,898	1,751	-	11,649	10,573
Charge for the year	879	311	-	1,190	1,157
Eliminated on disposals	(201)	(31)	-	(232)	(81)
At end of year	10,576	2,031	-	12,607	11,649
Net book value					
At end of year	24,913	1,298	62	26,273	
At start of year	23,221	1,179	50	24,450	

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 2013 was £172 million (2012 : £171 million).

The Santander loan, as set out in note 17, 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 2013

9a Heritage Assets Group and College

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:

	2013 £'000	2009 - 2012 £'000
Acquisitions purchased with College funds	12	-
Total cost of acquisitions purchased	12	-
Value of acquisitions by donation	-	50
Total acquisitions capitalised	12	50

10 Endowment and fixed asset investments Group and College

	Securities and cash £'000	Property £'000	2013 £'000	2012 £'000
Market value at start of year	54,539	12,752	67,291	69,511
Acquisitions at cost	5,469	2,171	7,640	3,467
Proceeds on disposal	(3,849)	-	(3,849)	(2,406)
Realised gain on disposal	787	-	787	293
Net gain/(loss) on revaluation	6,385	2,799	9,184	(3,574)
Market value at end of year	63,331	17,722	81,053	67,291
Represented by:				
Property investment			17,722	12,752
Quoted securities - equities			45,245	39,365
Quoted securities - fixed interest			3,227	3,002
Unquoted securities - equities			1,658	1,517
Cash held for reinvestment			13,201	10,655
Total			81,053	67,291
Fixed asset investments			33,013	26,464
Endowment assets (note 20)			48,040	40,827
Total			81,053	67,291

11 Inflation swap investments Group and College

	Securities £'000	Cash £'000	2013 £'000	2012 £'000
Market value at start of year	12,657	5,970	18,627	19,226
Acquisitions at cost	806	731	1,537	1,295
Proceeds on disposal	(484)	(877)	(1,361)	(1,141)
Realised gain on disposal	483	-	483	-
Net gain/(loss) on revaluation	1,738	-	1,738	(753)
Market value at end of year	15,200	5,824	21,024	18,627
Represented by:				
Quoted securities - equities			15,200	12,657
Cash held for reinvestment			5,824	5,970
Market value at end of year			21,024	18,627

The inflation swap investments are secured against the inflation-linked liability payable to HSBC in 2048, as set out in note 17.

Notes to the financial statements for the year ended 30 June 2013

12 Principal Subsidiary Undertakings

	Country of Incorporation and Operation	Cost £	Class of shares	Proportion of shares held
Clare College Ltd	United Kingdom	530,001	Ordinary	100%
Clare College Conferences Ltd	United Kingdom	1	Ordinary	100%

Clare College Ltd was incorporated in 1994. The principal activity of the company is that of design and construction of buildings.

Clare College Conferences Ltd was incorporated on 29 February 2012. The principal activity of the company is that of conference accommodation and catering for non-educational clients.

	2013 £'000	2012 £'000
13 Stocks		
Group and College		
Goods for resale	298	304
Other stocks	4	4
Total	<u>302</u>	<u>308</u>

14 Debtors

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Members of the College	150	150	122	122
Other debtors	581	255	251	273
Amounts due from subsidiary undertakings	-	618	-	-
Prepayments and accrued income	1,122	1,122	415	415
	<u>1,853</u>	<u>2,145</u>	<u>788</u>	<u>810</u>

15 Cash at bank and in hand

Bank deposits	1,459	1,459	4,155	4,155
Current accounts	1,274	616	514	502
Cash in hand	4	4	3	3
	<u>2,737</u>	<u>2,079</u>	<u>4,672</u>	<u>4,660</u>

Notes to the financial statements for the year ended 30 June 2013

16 Creditors: amounts falling due within one year

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Trade creditors	400	400	428	428
Members of the College	242	242	186	186
University fees	62	62	16	16
College student societies	1,620	1,620	1,439	1,439
Contribution to Colleges' fund	54	54	52	52
Other creditors	239	239	199	199
Amounts due to subsidiary undertakings	-	623	-	-
Accruals and deferred income	1,796	1,042	1,267	1,165
	<u>4,413</u>	<u>4,282</u>	<u>3,587</u>	<u>3,485</u>

The College holds investments of £1,590,000 (2012:£1,379,000) on behalf of student societies which is included within the £1,620,000 (2012:£1,439,000) owed to College student societies.

17 Creditors: amounts falling due after more than one year Group and College

	2013 £'000	2012 £'000
Loan repayable in 2048 to Santander	15,000	15,000
Inflation-linked amount due to HSBC	2,278	1,794
	<u>17,278</u>	<u>16,794</u>

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 2013 the value of the investments was £21,024,000 (2012:£18,627,000) and the liabilities to Santander and HSBC totalled £17,278,000 (2012:£16,794,000). The increase of £484,000 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 17.

18 Capital and other commitments Group and College

40-52 Newnham Road development		
Authorised and contracted for pre-construction services	-	176
Authorised and contracted for construction services	2,555	-
	<u>2,555</u>	<u>-</u>

19 Deferred capital donations Group and College

Balance at start of year	7,753	7,800
Donations received for Lerner Court	54	111
Donations received for Old Court refurbishment	211	-
Released to income and expenditure account	(156)	(158)
Balance at end of year	<u>7,862</u>	<u>7,753</u>

Notes to the financial statements for the year ended 30 June 2013

20 Endowments Group and College

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2013 £'000	2012 £'000
Balance at start of year:						
Capital	4,826	17,706	22,532	-	22,532	22,383
Unspent income	8,717	8,910	17,627	668	18,295	18,451
New endowments received in year	-	1,650	1,650	266	1,916	1,393
New endowments received in previous year	-	-	-	-	-	328
Income receivable from endowment asset investments	584	1,149	1,733	28	1,761	1,717
Expenditure	(284)	(907)	(1,191)	(250)	(1,441)	(1,039)
Increase/(decrease) in market value of investments	1,600	3,295	4,895	82	4,977	(2,406)
Balance at end of year	<u>15,443</u>	<u>31,803</u>	<u>47,246</u>	<u>794</u>	<u>48,040</u>	<u>40,827</u>
Comprising:						
Capital	5,384	21,576	26,960	-	26,960	22,532
Unspent income	10,059	10,227	20,286	794	21,080	18,295
	<u>15,443</u>	<u>31,803</u>	<u>47,246</u>	<u>794</u>	<u>48,040</u>	<u>40,827</u>
Representing:						
Fellowship funds					7,253	6,193
Scholarship funds					14,991	13,356
Prize funds					1,384	1,182
Hardship funds					5,858	5,233
Bursary funds					4,020	3,436
Travel grant funds					726	620
General endowments					13,808	10,807
					<u>48,040</u>	<u>40,827</u>

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

21 Reserves

Group	General reserves £'000	Fixed asset investment reserve £'000	2013 £'000	2012 £'000
Balance at start of year	20,745	26,464	47,209	49,514
Surplus/(deficit) retained for the year	1,925	2,342	4,267	(1,137)
Increase/(decrease) in market value of investments	-	4,207	4,207	(1,168)
Balance at end of year	<u>22,670</u>	<u>33,013</u>	<u>55,683</u>	<u>47,209</u>
College	General reserves £'000	Fixed asset investment reserve £'000	2013 £'000	2012 £'000
Balance at start of year	20,823	26,464	47,287	49,514
Surplus/(deficit) retained for the year	1,578	2,342	3,920	(1,059)
Increase/(decrease) in market value of investments	-	4,207	4,207	(1,168)
Balance at end of year	<u>22,401</u>	<u>33,013</u>	<u>55,414</u>	<u>47,287</u>

Notes to the financial statements for the year ended 30 June 2013

22 Memorandum of Total Return Reserves Group and College

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	2013 £'000	2012 £'000
Balance at start of year	14,488	1,833	16,321	20,900
Surplus/(deficit) of total return for year (note 3)	9,673	1,916	11,589	(4,579)
Balance at end of year	<u>24,161</u>	<u>3,749</u>	<u>27,910</u>	<u>16,321</u>

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

	2013 £'000	2012 £'000
Surplus on continuing operations	2,182	874
Depreciation on tangible fixed assets	1,190	1,157
Loss on disposal of tangible fixed assets	95	36
Deferred capital grants released to income	(156)	(158)
Endowment drawdown	(2,753)	(2,660)
Decrease in stocks	6	7
(Increase)/decrease in debtors	(1,065)	539
Increase in creditors	826	881
Net cash inflow from operating activities	<u>325</u>	<u>676</u>

24 Cash flows

	2013 £'000	2012 £'000
Returns on investments and servicing of finance		
Endowment and investment income received	2,771	2,597
Income from inflation swap investments	378	350
Share (to)/from College student societies	(228)	22
Interest and investment management costs paid	(287)	(286)
Net cash inflow from returns on investments and servicing of finance	<u>2,634</u>	<u>2,683</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,108)	(679)
Donations for buildings received	265	111
Endowments received	1,916	1,393
Proceeds on disposal of endowment investments	3,849	2,406
Purchase of endowment investments	(7,640)	(3,467)
Proceeds on disposal of inflation swap investments	1,361	1,141
Purchase of inflation swap investments	(1,537)	(1,295)
Net cash outflow from capital expenditure and financial investment	<u>(4,894)</u>	<u>(390)</u>

Notes to the financial statements for the year ended 30 June 2013

25 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 £354,000 (2012: £343,000). The contribution rate payable by the College was 16% of pensionable salaries for the USS (£129,000 in 2013) and was 11.3% for the College's defined contribution scheme (£225,000 in 2013).

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.

Notes to the financial statements for the year ended 30 June 2013

25 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 valuation effective date 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%.

The actuary has estimated that the funding level as at 31 March 2013 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 2013 estimation.

On the FRS 17 basis, using a AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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 cannot 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 2013, USS had over 148,000 active members and the College has 23 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.