Clare College, Cambridge

Financial statements
for the year ended 30 June 2014

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Governing Body, Committees and Advisors
for the year ended 30 June 2014

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 that were updated in 2013. 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 2014 were as follows:

Governing Body

Master:	Professor A J Badger (retired 30.09.14)
	Lord A S Grabiner (from 01.10.14)
Senior Tutor:	Dr P Fara
Bursar:	Mr P C Warren (from 16.09.13)
	Mr D P Hearn (retired 16.09.13)

Professor P M Allmendinger
Professor N H Andrews
Professor A P Balmford
Dr P D Bristowe
Dr A E Brown
Mr T C Brown
Professor W J Byrne
Dr R G Cacho
Dr J Carroll (from 01.10.13)
Dr A P Carter
Professor P A Cartledge
Mr W M Cavert
Dr T Chesters (from 01.10.13)
Professor C J Clarke
Professor N S Clayton
Dr L Colwell (from 17.04.14)
Professor G Corsetti
Dr N Crilly
Dr C H Duff
Dr M Dunajski
Dr F L Edmonds
Dr P A W Edwards
Dr P B Faulkner
Dr J Fawcett (from 01.10.13)
Dr A Ferguson
Professor P C Fletcher
Dr T Follini
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 A de Gispert
Dr J Glaudic
Professor R C Glen
Dr J Goodman (from 01.10.13)
Dr J M Goodman
Professor N C Greenham
Professor H Griffiths
Dr J A Guy
Dr R M Harris
Professor W A Harris
Dr D Hedley
Professor D A Hodell
Dr N B Holdstock
Professor A B Holmes
Mr D R Howarth
Dr K E Hughes
Dr H F Jahn
Mr A L Johnson
Dr P H Jones
Dr P F Knewstubb
Dr M M Lahr
Dr S Lazar
Professor P F Leadlay
Dr I Lestas
Professor T M Lewens
Professor O Leyser
Dr K E McDougall
Ms F Malaree
Mr C Matthiesen (from 01.10.13)
Dr C W Melnyk
Dr T Moore
Dr R G R Naismith
Professor G I Ogilvie
Dr G F Parker
Professor L C Paulson
Mr M J Petty
Professor R T Phillips
Dr A Philpott
Professor J Prabhu
Dr A Preston
Dr W A Pullan
Dr W N Quillen (to 30.09.13)
Dr K F Riley
Ms C O Roberts (to 31.08.13)
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
Dr M Smith
Professor M Sprik
Professor R Sterckx
Dr A M Stillman
Ms F Sutcliffe-Braithwaite (from 01.10.13)
Dr A Tapp (from 01.01.14)
Dr J A Tasioulas
Professor A G Thomason
Dr H E Thompson
Dr F Toxvaerd
Dr E Turner (from 01.04.14)
Professor L K Tyler
Dr H Vaizey
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
Dr N Zammit (from 01.01.14)
Mr R Buckingham, MCR President
Ms C Litina, MCR Vice President
Mr H Peto, UCS President (to 01.04.14)
Ms T Yoon, UCS President (from 01.04.14)
Mr K Koumi, UCS Vice President (to 01.04.14)
Mr A Malik, UCS Vice President (from 01.04.14)

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 2014

Council
Professor Badger (The Master)
Dr Fara (Senior Tutor)
Mr Warren (Bursar)
Dr Hughes (Admissions Tutor)
Dr Dunajski (Graduate Tutor)
Dr Tasioulas (Financial Tutor)
Dr Frolova-Walker
Dr Gibson
Professor Hodell
Dr Smith
Dr Stillman
Ms J Wyburd
Mr R Buckingham, MCR President
Mr H Peto, UCS President (to 01.04.14)
Ms T Yoon, UCS President (from 01.04.14)

Finance Committee
Professor Badger (The Master)
Mr Warren (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Professor Allmendinger
Professor Glen
Professor Greenham
Dr Philpott
Dr Russell
Dr Thompson
Mr Oughton (MCR Treasurer)
Mr Russell (UCS Treasurer to 01.04.14)
Mr Harding (UCS Treasurer from 01.04.14)

Investments Committee
Professor Badger (The Master)
Mr Warren (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
Professor Leyser

Audit Committee
Professor Prabhu
Dr Faulkner
Mr Smith (Clare alumnus)
Mr Moulder (Clare alumnus)

Estates Committee
Professor Allmendinger
Professor Balmford
Dr Carter
Dr Faulkner
Professor Glen
Dr Lazar
Mr Warren (Bursar)
Mr Petty (Steward)

Independent Auditors
PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge CB3 0AN

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

Solicitors
Ashton KCJ LLP
Chequers House
77-81 Newmarekt Road
Cambridge CB5 8EU

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

Property Managers
Bidwells Property Consultants
Trumpington Road
Cambridge CB2 2LD

Bankers
Santander UK plc
Victory House, Chivers Way
Histon, Cambridge CB24 9ZR

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

Professor Badger retired as Master on 30.09.14 and was replaced by Lord Grabiner.

Aims and Objectives of the College
for the year ended 30 June 2014

The College's strategic plan sets out the College’s long term aims in the context of 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; and
- 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; and
- 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 2014

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 maintain this standard of education. 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 also 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 and Clare is determined to stay in the top echelon. During the year this meant spending £7,449 on each undergraduate student, mainly on the intensive support provided by each student's Director of Studies and supervisors. The total cost of educating 486 undergraduates and supporting 194 graduate students increased to £4,192,000, which can only be sustained through the generosity of benefactors. The College receives a contribution equating to an average of £4,356 for each undergraduate by way of the College Fee, but this leaves a shortfall of £3,093 for each undergraduate student, amounting to 42% 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 £411,000 (2013: £377,000) to students. In addition to the payment of bursaries and hardship grants, the College also offers subsidies on the cost of food and accommodation as additional undergraduate and graduate student support.
The College aims to raise sufficient funds from benefactors to preserve small-group teaching for undergraduates, provide bursaries in support of Clare undergraduates from low income backgrounds and also support graduate study through scholarships and hardship grants. This will entail a significant challenge in raising additional income, while continuing to exercise tight constraints on spending.

Financial Results

The College achieved a net surplus of £2,476,000 (2013: £2,182,000), as set out in the Income and Expenditure Account on page 18. Total income grew by 4.1% to £13.1 million while expenditure increased by 2.1% to £10.6m during the year. As a result the operating surplus increased by £0.3 million and the College was able to achieve a net operating surplus of almost £2.5 million for the first time. The growth in total income was largely attributable to an 8% increase in accommodation income following the completion of the new graduate accommodation at Clare Court and continued growth in conference income which increased by more than 11% during the year. In addition, new endowments amounting to £2,589,000 (2013: £1,916,000) 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	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Operating income	13.1	12.5	10.6	10.5	11.1
Exceptional income	-	-	-	-	0.5
	13.1	12.5	10.6	10.5	11.6
Expenditure	10.6	10.3	9.7	9.6	10.0
Net Surplus	2.5	2.2	0.9	0.9	1.6

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, the refurbishing of Old Court and raising sufficient bursary funds to support undergraduate and graduate students in hardship.

Financial Review
for the year ended 30 June 2014

Benefactions and Donations

The College is very grateful for the many donations and bequests it has received over the past year from Clare members, corporate donors, trusts and foundations which totalled £4,450,000 (Note 4) including the recovery of Gift Aid.This included significant gifts towards the establishment of new student bursaries, the endowment of postgraduate studentships and the refurbishment of Old Court. The College received £1,661,000 in legacy income during the year and the Annual Fund raised a further £315,000. One-fifth of alumni make an annual donation to the College; this is among the highest participation rates in Cambridge and is twice the Oxbridge college average, reflecting the loyalty of Clare alumni and the College’s sustained investment in development. Total donation income and fund raising costs over the last five years were:

Year ended 30 June	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Donations					
Lerner Court	-	0.1	0.1	0.2	0.3
Old Court	0.4	0.2	-	-	-
Other	4.1	3.4	1.7	1.7	2.0
	4.5	3.7	1.8	1.9	2.3
Fundraising costs	0.4	0.4	0.4	0.3	0.3
Costs as % of donations	9%	11%	22%	16%	13%

The College has approved a fundraising strategy to launch a new Development Campaign for Clare. The campaign will aim to increase the overall size of the College's unrestricted funds to support teaching and bursaries by adding at least £30 million to the College's endowment. It will also aim to meet 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.

Main Endowment

The market value of the main investment portfolio at 30 June 2014 was £88.8 million (note 10), with 57% invested in global equities, 20% in commercial and agricultural property in the UK, 20% in cash deposits and short-dated bonds, and 3% in unlisted assets. The College's global equity investments are held in regional tracker funds with 28% in UK, 27% in US, 19% in Europe, 15% in Japan, 9% in Emerging Markets and 2% in the Pacific Rim. Foreign currency exposures are not hedged.

Low interest rates, together with the increase in global equity markets and UK property prices over the last twelve months has had a positive impact on the value of the College's portfolio, resulting in a total return of 7.3% (2013: 18.3%). The total return in the 2013 financial year benefitted from an unrealised gain of £2,557,155 that had arisen when four houses, previously used as graduate student hostels, were transferred from operational use into the endowment as investment assets. The College had planned to dispose of these four properties to partially fund the redevelopment of the new graduate accommodation on Newnham Road. However, following the completion of the Newnham Road development, the College decided to use the four houses as fourth year undergraduate student hostels and in June 2014 they were transferred out of the Endowment back in to operational use. As a result, the Endowment incurred an unrealised loss of £2,557,155 in the 2014 financial statements as the properties were transferred out at their original book cost. Adjusted for the exceptional unrealised loss/gain following the transfer of the four houses, the adjusted total return in 2014 was 10.5% (2013: 15.0%). The value of the endowment and total return over the last five years were:

Year ended 30 June	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Investment assets	88.8	81.1	67.3	69.5	61.3
Actual net income	2.6	2.8	2.6	2.5	2.2
Gains/(losses)	3.4	9.9	(3.4)	6.1	6.7
Total return	6.0	12.7	(0.8)	8.6	8.9
Endowment drawdown	2.8	2.8	2.7	2.6	2.9
Drawdown as a % of Endowment	3.9%	4.2%	4.4%	4.4%	4.5%

(Drawdown measured as % of the average value of the Endowment over the three previous financial years)

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 £27.3 million on the main Endowment.

Financial Review
for the year ended 30 June 2014

The College Endowment has achieved a total return of 7.4% p.a. over the last ten years. However, there are concerns that returns over the next ten years may not meet the long-term target of 7.5% p.a. and in 2014 the Finance Committee approved a reduction in the planned drawdown rate to 3.5% of the average value of the Endowment over the three preceeding financial years to reflect these concerns. The drawdown, which is the amount taken out of the Endowment as spendable income, amounted to £2,753,000 in 2014 as compared to the net investment income actually received of £2,516,000. The realised and unrealised gains on the portfolio amounted to £3,500,000 resulting in a positive total return of £6,016,000 as set out in Note 3a. The Endowment drawdown of £2,753,000 represented 3.9% of the average value of the Endowment over the three preceeding years, somewhat higher than the 3.5% target that has been set. The Finance Committee has agreed that the value of the drawdown should not be increased until the 3.5% drawdown rate is achieved. 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 generated positive cash flow from its operational activities during the year after drawing down cash of £2,753,000 from the Endowment. The operational cash balances available at 30 June 2014 amounted to £1,104,000 (2013: £2,737,000). Much of the construction work on graduate accommodation in Newnham Road, completed in November 2013, was funded from operational cash balances and this resulted in a substantial reduction in cash at bank and in hand during the year. The cash holdings within the Endowment are deposited in high interest accounts with the College's two principal bankers to obtain beneficial interest rates on the cash balances.

Inflation Swap Investments

In October 2008 the College borrowed £15 million in the form of a conventional loan from Santander and an inflation swap contract with HSBC, structured to provide 40 year index-linked funding. The interest payments on the Santander loan are set at 4.4% p.a. and the HSBC swap contract converts this into a real rate of 1.1% p.a. The annual inflation adjustment to the value of the loan on repayment is capped at a rate of 7%. Through this structure the College was able to take advantage of its ability to invest over the very long term at a time of historically very low real interest rates. The £15 million is being invested in global equity tracker funds and has been 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 2014) the level of RPI has risen by 18%, with the result that the College's liability to Santander and HSBC at June 2014 has increased to £17,708,000. At June 2014 the College had invested £9 million of the £15 million loan into global equity tracker funds. The intention is to continue to invest in global equities when the US equity market, as measured by the S&P 500 index, declines to a level of less than 1230. In 2014 the 2048 Fund generated a total return of 6.5% and 3.3% net of the increase in liabilities and interest payments. The resulting surplus of £685,000 was added to the Total Return reserves as set out in Note 22. The cumulative Inflation swap investment net surplus increased to £4,434,000 at 30 June 2014.

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% p.a. 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 following three years. In August 2012 the College started a £5.2 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. In 2014 the College approved a plan to refurbish Castle Brae at a cost of £1.8 million and plans are being developed for the future refurbishment of Old Court at a cost of £20 million. Architect Witherford Watson and Mann, the winner of the 2013 Stirling Prize, were appointed in July 2014 to oversee this refurbishment project and a detailed program is being developed for this work to commence in 2017-18. The cost of repairing the historic buildings represents a substantial financial commitment for the College each year and the Governing Body recognises the need to set aside adequate sums to ensure that the historic buildings are properly maintained over the long term. A professional survey of the condition of all College buildings has confirmed that more than £2.3 million should be committed each year to the maintainance of the College's historic fabric and buildings. A relatively modest £1.1 million was spent on capital improvements and maintenance during the 2013-14 financial year but this figure is budgeted to rise to £3.6 million next year. Excluding the cost associated with the refurbishment of Old Court, the budget for capital improvements and maintenance is forecast to be more than £3.0 million per annum over the five year period from June 2015. Longer term the aim is to spend each year 1.5% of the insurance replacement value of the College's operational buildings, which is £153 million.

Financial Review
for the year ended 30 June 2014

Reserves Policy

The College's unrestricted funds and reserves amount to £77 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 £44 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 680 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; and
- 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; and
- 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), that provides 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 2014

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.

Lord A S Grabiner, Master Mr P Warren, Bursar

24 November 2014

Statement of Corporate Governance
for the year ended 30 June 2014

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 in Classes A, B, C, D and E, 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 the Governing Body at its annual meeting, 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 Bursar, 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 the 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.

8. The College's Members of the Governing Body during the year ended 30 June 2014 are set out on pages 2 and 3.

Statement of Internal Control
for the year ended 30 June 2014

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 2014 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. In 2014 an internal audit group, with input from an external firm of auditors, was created to review departmental policies and procedures. Reports from this group are submitted to both the Audit and Finance Committees for them to review.
   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 2014

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 year. 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 2014

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the College's affairs as at 30 June 2014 and of the Group's income, 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 2014 has been applied to the purposes for which it was received.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and the College's financial statements (the 'financial statements'), which are prepared by Clare College, Cambridge comprise:

- the Statement of Principal Accounting Policies;
- the Group and College Balance Sheets as at 30 June 2014;
- Consolidated Income and Expenditure Account for the year then ended;
- Consolidated Cash Flow Statement for the year then ended;
- Consolidated Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the Governing Body have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standard of Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give resonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

The includes an assessment of:

- whether the accounting policies are appropriate to the Group's and 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 non-financial information in the Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications in our report.

Opinion on other matters prescribed by the Charities Act 2011

In our opinion the information given in the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit: or
- adequate accounting records have not been kept by the College, or returns adequate for our audit have not been received from branches not visited by us; or
- the College financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Governing Body
for the year ended 30 June 2014

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Governing Body

As explained more fully in the Statement of Responsibilites of the Governing Body set out on page 12, the Governing Body is responsible for the preparation of the financial statements and for being satisifed that they 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 ISAs (UK & Ireland). Those standards require us to comply with the Accounting 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 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

24 November 2014

Statement of Principal Accounting Policies
for the year ended 30 June 2014

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 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 year 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 Total 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 2014

Tangible Fixed Assets
Land and buildings
Land and buildings held for operational purposes are initially 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 stated 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. Investment properties are valued annually based on open market values provided by third party valuers.

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 2014

Pension costs
The College operates a defined contribution pension scheme mainly for permanent non-academic employees which is contracted into the State Second Pension (S2P) and also uses the government established National Employment Savings Trust (NEST) scheme for temporary staff. It also participates in the Universities Superannuation Scheme (USS), a defined benefit scheme 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. USS is a 'last man standing' scheme and therefore the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. The scheme is accounted for as if it were a defined contribution scheme as required by FRS 17 'Retirement Benefits'. 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 2014

	Notes	2014 £'000	2013 £'000
Income			
Academic fees and charges	1	2,819	2,737
Residences, catering and conferences	2	5,770	5,267
Endowment drawdown	3a	2,753	2,753
Donations	4	1,433	1,511
Capital donations released	19	153	156
Other income		138	123
Total income		**13,066**	**12,547**
Expenditure			
Education	5	4,192	4,162
Residences, catering and conferences	6	5,550	5,484
Other expenditure		788	665
Total expenditure		**10,530**	**10,311**
Operating surplus on continuing operations		**2,536**	**2,236**
Contribution to Colleges' Fund		60	54
Net surplus on continuing operations		**2,476**	**2,182**
Transfer to accumulated income within restricted expendable capital		(87)	(20)
Surplus for the year retained within general reserves		**2,389**	**2,162**

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 30 June 2014

	Notes	Restricted Funds £'000	Unrestricted Funds £'000	2014 £'000	2013 £'000
Surplus on income and expenditure account		-	2,389	2,389	2,162
Reinvested trust fund receipts and income retained		87	-	87	20
Surplus on Total Return:					
Main endowment	3a	686	2,490	3,176	9,673
Inflation swap investments	3c	-	685	685	1,916
New endowments	20	2,589	-	2,589	1,916
Total recognised gains relating to the year		**3,362**	**5,564**	**8,926**	**15,687**
Reconciliation					
Opening reserves and endowments		32,597	71,126	103,723	88,036
Total recognised gains for the year		3,362	5,564	8,926	15,687
Closing reserves and endowments		35,959	76,690	112,649	103,723
Deferred capital donations		8,137	-	8,137	7,862
TOTAL FUNDS		**44,096**	**76,690**	**120,786**	**111,585**

Consolidated and College Balance Sheets
as at 30 June 2014

	Notes	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Fixed assets					
Tangible assets	9	28,983	28,949	26,307	26,273
Investments	10	36,851	36,851	33,013	33,013
Inflation swap investments	11	22,144	22,144	21,024	21,024
		87,978	87,944	80,344	80,310
Endowment assets					
Endowment investments	10	51,925	51,925	48,040	48,040
Current assets					
Stock	13	298	298	302	302
Debtors	14	907	1,356	1,853	2,145
Cash at bank and in hand	15	1,104	328	2,737	2,079
		2,309	1,982	4,892	4,526
Creditors : amounts falling due within one year	16	3,718	3,390	4,413	4,282
Net current (liabilities)/assets		(1,409)	(1,408)	479	244
Total assets less current liabilities		138,494	138,461	128,863	128,594
Creditors : amounts falling due after more than one year	17	17,708	17,708	17,278	17,278
NET ASSETS		**120,786**	**120,753**	**111,585**	**111,316**
Deferred capital donations	19	8,137	8,137	7,862	7,862
Endowments					
Expendable endowments	20	860	860	794	794
Permanent endowments	20	51,065	51,065	47,246	47,246
		51,925	51,925	48,040	48,040
Reserves					
General reserve	21	23,873	23,840	22,670	22,401
Fixed asset investment reserve	21	36,851	36,851	33,013	33,013
		60,724	60,691	55,683	55,414
TOTAL FUNDS		**120,786**	**120,753**	**111,585**	**111,316**

The financial statements on pages 18 to 32 were approved by the Governing Body on 24 November 2014 and signed on their behalf by:

Lord A S Grabiner, Master

Mr P Warren, Bursar

Consolidated Cash Flow Statement
for the year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	23	1,151	325
Returns on investments and servicing of finance	24	2,609	2,634
Capital expenditure and financial investment	24	(5,393)	(4,894)
Decrease in cash in the year		(1,633)	(1,935)
Cash at bank and in hand at start of year		2,737	4,672
Cash at bank and in hand at end of year		**1,104**	**2,737**

Notes to the financial statements
for the year ended 30 June 2014

	2014 £'000	2013 £'000
1 Academic fees and charges		
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate: 194 at £4,068 (2013: 330 at £3,951) and 244 at £4,500 (2013: 130 at £4,500)	1,886	1,848
Privately-funded undergraduate fee income: 34 at £6,787 (2013: 29 at £6,590)	231	191
Fee income received at the graduate fee rate: 194 at £2,424 (2013: 181 at £2,349)	467	425
Cambridge Bursary Scheme	235	273
	2,819	2,737

2 Income from residences, catering and conferences

		2014 £'000	2013 £'000
Accommodation	College members	2,411	2,226
	Conferences	1,255	1,214
Catering	College members	693	646
	Conferences	1,411	1,181
		5,770	5,267

3a Total return on investments

	2014 £'000	2013 £'000
Actual income from:		
Land and buildings	614	1,029
Quoted equity securities	1,562	1,362
Fixed interest securities	315	269
Other interest receivable	100	111
	2,591	2,771
Gains on endowment assets:		
Land and buildings	29	2,799
Quoted and other securities and cash	3,471	7,172
Investment management costs (note 3b)	(75)	(88)
Total return on investments	6,016	12,654
Endowment drawdown included in income and expenditure account	2,753	2,753
Share of total return to College student societies	87	228
Surplus on total return included within statement of total recognised gains and losses (note 22)	3,176	9,673
Total return on investments	6,016	12,654

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

	2014 £'000	2013 £'000
Land and buildings	33	36
Quoted securities	11	11
Other investments	16	27
Cash	15	14
Total	75	88

Notes to the financial statements
for the year ended 30 June 2014

	2014 £'000	2013 £'000
3c Total return on inflation swap contracts		
Actual income from:		
Quoted securities	371	359
Other interest receivable	20	19
	391	378
Gains on inflation swap asset	935	2,221
Increase in inflation-linked amount due to HSBC (note 17)	(430)	(484)
Interest and fees (note 3d)	(211)	(199)
Total return on inflation swap contracts (note 22)	685	1,916

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

	2014 £'000	2013 £'000
Interest paid to HSBC	(193)	(188)
Interest paid to Santander	(670)	(661)
	(863)	(849)
Interest received from HSBC	664	664
	(199)	(185)
Fees on inflation swap investments	(12)	(14)
	(211)	(199)

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

	2014 £'000	2013 £'000
Unrestricted donations included in income and expenditure account	1,433	1,511
Restricted donations included in statement of recognised gains and losses	2,589	1,916
Deferred capital donations received (note 19)	428	265
	4,450	3,692

5 Education expenditure

	2014 £'000	2013 £'000
Teaching	2,028	2,012
Tutorial	649	649
Admissions and access	750	753
Research	398	409
Scholarships and awards	198	191
Other educational facilities	169	148
	4,192	4,162

Notes to the financial statements
for the year ended 30 June 2014

6 Residences, catering and conferences expenditure

		2014 £'000	2013 £'000
Accommodation	College members	2,524	2,557
	Conferences	1,285	1,314
Catering	College members	781	711
	Conferences	960	902
		5,550	5,484

7a Analysis of 2014 expenditure by activity

	Staff costs (note 8) £'000	Other expenses £'000	Depreciation £'000	2014 £'000
Education	2,380	1,417	395	4,192
Residences, catering and conferences	2,653	1,970	927	5,550
Fundraising and alumni relations	265	181	-	446
Other	-	342	-	342
	5,298	3,910	1,322	10,530

7b 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
	5,130	3,991	1,190	10,311

7c Auditors' remuneration

	2014 £'000	2013 £'000
Other operating expenses include:		
Audit fees payable to the College's external auditors	22	20
	22	20

8 Staff costs

	College Fellows £'000	Other academic £'000	Non-academic £'000	2014 £'000	2013 £'000
Emoluments	1,060	256	3,281	4,597	4,435
Social security costs	80	-	269	349	341
Other pension costs (see note 25)	126	-	226	352	354
	1,266	256	3,776	5,298	5,130

	2014	2013
Average numbers:		
College Fellows who are also members of the Governing Body, of whom 69 were remunerated (2013: 67)	110	105
Non-academic staff : full time equivalents	122	122
Total	232	227

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 2014

9 Tangible Assets

Group **Cost**	**Freehold land and buildings £'000**	**Furniture, fittings and equipment £'000**	**Heritage assets £'000**	**2014 £'000**	**2013 £'000**
At start of year	35,523	3,329	62	38,914	36,133
Additions and improvements at cost	2,396	176	-	2,572	3,108
Transfer from endowment assets	1,430	-	-	1,430	-
Disposals at cost	(25)	-	-	(25)	(327)
At end of year	39,324	3,505	62	42,891	38,914
Depreciation					
At start of year	10,576	2,031	-	12,607	11,649
Charge for the year	1,015	307	-	1,322	1,190
Eliminated on disposals	(21)	-	-	(21)	(232)
At end of year	11,570	2,338	-	13,908	12,607
Net book value					
At end of year	27,754	1,167	62	28,983	
At start of year	24,947	1,298	62	26,307	

College **Cost**	**Freehold land and buildings £'000**	**Furniture, fittings and equipment £'000**	**Heritage assets £'000**	**2014 £'000**	**2013 £'000**
At start of year	35,489	3,329	62	38,880	36,099
Additions and improvements at cost	2,396	176	-	2,572	3,108
Transfer from endowment assets	1,430	-	-	1,430	-
Disposals at cost	(25)	-	-	(25)	(327)
At end of year	39,290	3,505	62	42,857	38,880
Depreciation					
At start of year	10,576	2,031	-	12,607	11,649
Charge for the year	1,015	307	-	1,322	1,190
Eliminated on disposals	(21)	-	-	(21)	(232)
At end of year	11,570	2,338	-	13,908	12,607
Net book value					
At end of year	27,720	1,167	62	28,949	
At start of year	24,913	1,298	62	26,273	

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 2014 was £153 million (2013 : £141 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 2014

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:

	2014 £'000	2009 - 2013 £'000
Acquisitions purchased with College funds	-	12
Total cost of acquisitions purchased	-	12
Value of acquisitions by donation	-	50
Total acquisitions capitalised	-	62

10 Endowment and fixed asset investments
Group and College

	Securities and cash £'000	Property £'000	2014 £'000	2013 £'000
Market value at start of year	63,331	17,722	81,053	67,291
Acquisitions at cost	8,997	3,355	12,352	7,640
Proceeds on disposal	(4,347)	(2,352)	(6,699)	(3,849)
Transfer to operational assets	-	(1,430)	(1,430)	-
Realised gain on disposal	75	827	902	787
Net gain/(loss) on revaluation	3,396	(798)	2,598	9,184
Market value at end of year	71,452	17,324	88,776	81,053
Represented by:				
Property investment			17,324	17,722
Quoted securities - equities			49,419	45,245
Quoted securities - fixed interest			6,765	3,227
Unquoted securities - equities			1,537	1,658
Cash held for reinvestment			13,731	13,201
Total			88,776	81,053
Fixed asset investments			36,851	33,013
Endowment assets (note 20)			51,925	48,040
Total			88,776	81,053

11 Inflation swap investments
Group and College

	Securities £'000	Cash £'000	2014 £'000	2013 £'000
Market value at start of year	15,200	5,824	21,024	18,627
Acquisitions at cost	341	49	390	1,537
Proceeds on disposal	-	(205)	(205)	(1,361)
Realised gain on disposal	-	-	-	483
Net gain on revaluation	935	-	935	1,738
Market value at end of year	16,476	5,668	22,144	21,024
Represented by:				
Quoted securities - equities			16,476	15,200
Cash held for reinvestment			5,668	5,824
Market value at end of year			22,144	21,024

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 2014

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.

13 Stocks

	2014 £'000	2013 £'000
Group and College		
Goods for resale	293	298
Other stocks	5	4
Total	298	302

14 Debtors

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Members of the College	88	88	150	150
Other debtors	319	179	581	255
Amounts due from subsidiary undertakings	-	604	-	618
Prepayments and accrued income	500	485	1,122	1,122
	907	1,356	1,853	2,145

15 Cash at bank and in hand

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank deposits	176	176	1,459	1,459
Current accounts	925	149	1,274	616
Cash in hand	3	3	4	4
	1,104	328	2,737	2,079

Notes to the financial statements
for the year ended 30 June 2014

16 Creditors: amounts falling due within one year

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Trade creditors	330	327	400	400
Members of the College	250	250	242	242
University fees	4	4	62	62
College student societies	1,617	1,617	1,620	1,620
Contribution to Colleges' fund	60	60	54	54
Other creditors	252	252	239	239
Amounts due to subsidiary undertakings	-	-	-	623
Accruals and deferred income	1,205	880	1,796	1,042
	3,718	3,390	4,413	4,282

The College holds investments of £1,585,000 (2013: £1,590,000) on behalf of student societies which is included within the £1,617,000 (2013: £1,620,000) owed to College student societies.

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

	2014 £'000	2013 £'000
Loan repayable in 2048 to Santander	15,000	15,000
Inflation-linked amount due to HSBC	2,708	2,278
	17,708	17,278

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 2014 the value of the investments was £22,144,000 (2013: £21,024,000) and the liabilities to Santander and HSBC totalled £17,708,000 (2013: £17,278,000). The increase of £430,000 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.

18 Capital and other commitments	**2014**	**2013**
Group and College	**£'000**	**£'000**
Authorised and contracted for pre-construction services	89	-
Authorised and contracted for construction services	1,948	2,555

19 Deferred capital donations
Group and College

Balance at start of year	7,862	7,753
Donations received for Lerner Court	17	54
Donations received for Old Court refurbishment	411	211
Released to income and expenditure account	(153)	(156)
Balance at end of year	8,137	7,862

Notes to the financial statements
for the year ended 30 June 2014

20 Endowments
Group and College

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2014 £'000	2013 £'000
Balance at start of year:						
Capital	5,384	21,576	26,960	-	26,960	22,532
Unspent income	10,059	10,227	20,286	794	21,080	18,295
New endowments received in year	-	2,372	2,372	217	2,589	1,916
Income receivable from endowment asset investments	541	1,113	1,654	28	1,682	1,761
Expenditure	(322)	(858)	(1,180)	(196)	(1,376)	(1,441)
Increase in market value of investments	304	669	973	17	990	4,977
Balance at end of year	15,966	35,099	51,065	860	51,925	48,040
Comprising:						
Capital	5,489	25,165	30,654	-	30,654	26,960
Unspent income	10,477	9,934	20,411	860	21,271	21,080
	15,966	35,099	51,065	860	51,925	48,040
Representing:						
Fellowship funds					7,921	7,253
Scholarship funds					16,687	14,991
Prize funds					1,456	1,384
Hardship funds					5,992	5,858
Bursary funds					4,321	4,020
Travel grant funds					762	726
General endowments					14,786	13,808
					51,925	48,040

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

21 Reserves

Group	General reserve £'000	Fixed asset investment reserve £'000	2014 £'000	2013 £'000
Balance at start of year	22,670	33,013	55,683	47,209
Surplus retained for the year	1,203	2,230	3,433	4,267
Increase in market value of investments	-	1,608	1,608	4,207
Balance at end of year	23,873	36,851	60,724	55,683

College	General reserve £'000	Fixed asset investment reserve £'000	2014 £'000	2013 £'000
Balance at start of year	22,401	33,013	55,414	47,287
Surplus retained for the year	1,439	2,230	3,669	3,920
Increase in market value of investments	-	1,608	1,608	4,207
Balance at end of year	23,840	36,851	60,691	55,414

Notes to the financial statements
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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	2014 £'000	2013 £'000
Balance at start of year	24,161	3,749	27,910	16,321
Surplus of total return for year (note 3)	3,176	685	3,861	11,589
Balance at end of year	27,337	4,434	31,771	27,910

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

	2014 £'000	2013 £'000
Surplus on continuing operations	2,476	2,182
Depreciation of tangible assets	1,322	1,190
Loss on disposal of tangible assets	4	95
Deferred capital grants released to income	(153)	(156)
Endowment drawdown	(2,753)	(2,753)
Decrease in stocks	4	6
Decrease/(increase) in debtors	946	(1,065)
(Decrease)/increase in creditors	(695)	826
Net cash inflow from operating activities	1,151	325

24 Cash flows

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Endowment and investment income received	2,591	2,771
Income from inflation swap investments	391	378
Share to College student societies	(87)	(228)
Interest and investment management costs paid	(286)	(287)
Net cash inflow from returns on investments and servicing of finance	2,609	2,634
Capital expenditure and financial investment		
Purchase of tangible assets	(2,572)	(3,108)
Donations for buildings received	428	265
Endowments received	2,589	1,916
Proceeds on disposal of endowment investments	6,699	3,849
Purchase of endowment investments	(12,352)	(7,640)
Proceeds on disposal of inflation swap investments	205	1,361
Purchase of inflation swap investments	(390)	(1,537)
Net cash outflow from capital expenditure and financial investment	(5,393)	(4,894)

Notes to the financial statements
for the year ended 30 June 2014

25 Pension Schemes

The College's staging date for automatic enrolment was 1 January 2014 and from that date it continued to operate a defined contribution pension scheme mainly for permanent contracted non-academic employees which is contracted into the State Second Pension (S2P). From that date, for temporary employees, the College also offered the National Employment Savings Trust (NEST) scheme, a defined contribution scheme set up by the Government, for temporary employees. The College also continues to participate in the Universities Superannuation Scheme (USS), a defined benefit scheme for academic employees. USS is externally funded and is contracted out of the State Second Pension. The assets of all schemes are held in separate trustee-administered funds. The Universities Superannuation Scheme is a 'last man standing scheme' and the College is unable to identify its share of the underlying assets and liabilities on a consistent and reliable basis. The scheme is therefore accounted for as if it were a defined contribution scheme, as required by FRS17 'Retirement Benefits' and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

The total pension cost for the College was £352,000 (2013: £354,000). The contribution rate payable by the College was 16% of pensionable salaries for the USS (£126,000 in 2014). For existing members of the defined contribution scheme as at 1 January 2014 the contribution rate payable was 11.3% with new members from that date receiving 6% (£226,000 in 2014). Employer contributions to NEST were 1% of qualifying pay and contributions for 2014 were negligible.

The latest triennial actuarial valuation of the USS was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, a review of the funding level is carried out each year between triennial valuations and details of the estimates of the funding level at 31 March 2014 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, 31 March 2014, 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. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a fundin level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial acturial valuation will take place as at 31 March 2014, and work is currently underway to update the acturial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustees cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 acturial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. The estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

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25 Pension Schemes (continued)

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yield, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 61%.

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

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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation 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%.

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.

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of the scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

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 2014, USS had over 162,000 active members and the College has 30 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.