

# Clare College, Cambridge

Financial statements  
for the year ended 30 June 2015

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## Governing Body, Committees and Advisors for the year ended 30 June 2015

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 2015 were as follows:

### Governing Body

Master: Lord A S Grabiner  
Senior Tutor: Dr P Fara  
Bursar: Mr P C Warren

Professor P M Allmendinger	Dr P Gonzalez-Bellido (from 08.10.14)	
Professor N H Andrews	Dr J Goodman	Dr A Preston
Professor A P Balmford	Professor J M Goodman	Dr W A Pullan
Ms A Blackham (from 01.10.14)	Professor N C Greenham	Dr K F Riley
Dr P D Bristowe	Professor H Griffiths	Professor J C Robertson
Mr T C Brown	Dr J A Guy	Mr G A C Ross
Mr S Buczacki (from 01.10.14)	Dr R M Harris	Dr C A Russell
Professor W J Byrne	Professor W A Harris	Dr H L Sanson
Dr R G Cacho	Dr D Hedley	Dr R S Schofield
Dr J Carroll	Professor D A Hodell	The Rev'd Dr G J N Seach (to 31.12.14)
Dr A P Carter	Dr N B Holdstock	Dr R K Semple
Professor P A Cartledge	Professor A B Holmes	Professor A S Sinclair
Mr W M Cavert (to 30.09.14)	Mr D R Howarth	Dr M Smith
Dr D Chambers (from 01.04.15)	Dr K E Hughes	Professor M Sprik
Dr T Chesters	Dr H F Jahn	Professor R Sterckx
Professor C J Clarke	Mr A L Johnson	Dr A M Stillman
Professor N S Clayton	Dr P H Jones	Ms F Sutcliffe-Braithwaite
Dr L Colwell	Dr P F Knewstubb	Dr A Tapp
Professor G Corsetti	Dr M M Lahr	Dr J A Tasioulas
Dr N Crilly	Dr H Laman (from 01.10.14)	Professor A G Thomason
Dr C H Duff	Dr S Lazar	Dr H E Thompson
Dr M Dunajski	Professor P F Leadlay	Dr F Toxvaerd
Dr F L Edmonds	Mr R Leary (from 01.10.14)	Dr E Turner
Dr P A W Edwards	Dr I Lestas	Professor L K Tyler
Dr D Essex (from 01.10.14)	Professor T M Lewens	Dr H Vaizey
Dr P B Faulkner	Professor O Leyser	Dr H W van Veen
Dr J Fawcett	Dr K E McDougall	Dr R I Watson
Dr A Ferguson	Ms F Malaree	Dr M Weeks
Professor P C Fletcher	Mr C Matthiesen	Dr C G Weiss
Dr T Follini	Dr C W Melnyk	Dr T A H Wilkinson
Dr W A Foster	Dr T Moore	Dr N H Woodcock
Dr E A Foyster	Dr R G R Naismith	Professor J Woodhouse
Professor S C Franklin	Professor G I Ogilvie	Dr G H Wright
Mrs E M Freeman	Dr G F Parker	Ms J Wyburd
Dr A D Friend	Professor L C Paulson	Dr N Zammit
Professor M Frolova-Walker	Dr A Pauly (from 01.10.14)	Ms A Henow, MCR President
Dr J S Gibson	Mr M J Petty	Mr J Han, MCR Vice President
Dr A de Gispert	Professor R T Phillips	Ms T Yoon, UCS President (to 01.04.15)
Dr J Glaudic	Dr A Philpott	Mr J Landman, UCS President (from 01.04.15)
Professor R C Glen	Professor J Prabhu	Mr A Malik, UCS Vice President (to 01.04.15)
		Mr Y Hemrich, UCS Vice President (from 01.04.15)

All members of the Finance Committee and Council are given, on appointment, copies of the Statutes of the College, together with 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 2015

### Council

Lord Grabiner (The Master)  
Dr Fara (Senior Tutor)  
Mr Warren (Bursar)  
Dr Vaizey (Admissions Tutor)  
Dr Dunajski (Graduate Tutor)  
Dr Tasioulas (Financial Tutor)  
Dr Chesters  
Dr Gibson  
Professor Hodell  
Dr McDougall  
Dr Smith  
Dr Stillman  
Ms A Henow, MCR President  
Ms T Yoon, UCS President (to 01.04.15)  
Mr J Landman, UCS President (from 01.04.15)

### Finance Committee

Lord Grabiner (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  
Ms Stanley (MCR Treasurer)  
Mr Harding (UCS Treasurer to 01.04.15)  
Mr Pulver (UCS Treasurer from 01.04.15)

### 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 Newmarket Road  
Cambridge CB5 8EU

### Investments Committee

Lord Grabiner (The Master)  
Mr Warren (Bursar)  
Professor Greenham  
Mr Cumming (Clare alumnus)  
Mr Haynes (Clare alumnus)  
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 Griffiths  
Dr Tasioulas  
Mr P Warren (Bursar)  
Ms Hoy (Buildings Manager)

### Property Managers

Bidwells Property Consultants  
Trumpington Road  
Cambridge CB2 2LD

### Bankers

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

### Investment Managers

State Street Global Advisors  
25 Bank Street  
London E14 5LE

## Aims and Objectives of the College for the year ended 30 June 2015

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 and to achieve excellence in education at both undergraduate and postgraduate levels.
- 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 2015

During the year, the College has continued to pursue its charitable aims in promoting learning, study, and teaching in a community of scholars in the University of Cambridge. The intense pressure on students to achieve the highest academic standards places corresponding 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 £7,570 on each undergraduate student, mainly on the intensive support provided by each student's Director of Studies and supervisors. The total cost of educating 484 undergraduates and supporting 202 graduate students increased to £4,335,000 (2014: £4,192,000), which can only be sustained through the generosity of benefactors. The College receives a contribution equating to £4,500 for each undergraduate by way of the College Fee, but this leaves a shortfall of £3,070 for each undergraduate student, amounting to 41% of the total cost.

Substantial changes to Higher Education funding and student finance have resulted in Clare students having to pay substantially higher fees 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 £583,229 (2014: £500,108) 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 all entail a significant challenge in raising additional income, while continuing to exercise tight constraints on spending.

### Financial Results

The College achieved a net surplus on continuing operations of £1,608,000 (2014: £2,476,000), as set out in the Income and Expenditure Account on page 18. Total income decreased by 4.2% to £12.5 million while expenditure increased by 3% to £10.8 million during the year. As a result the operating surplus decreased by £0.8 million to show a net operating surplus of £1.7 million. The decline in total income was largely attributable to a 63% decrease in donation income from £1.4 million to £0.5 million during the year. This decline was partially offset by an increase in accommodation income following the completion of the new graduate accommodation at Clare Court. In addition, new endowments amounting to £2,789,000 (2014: £2,589,000) 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	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Operating income	12.5	13.1	12.5	10.6	10.5
Expenditure	<u>10.9</u>	<u>10.6</u>	<u>10.3</u>	<u>9.7</u>	<u>9.6</u>
Net Surplus	<u>1.6</u>	<u>2.5</u>	<u>2.2</u>	<u>0.9</u>	<u>0.9</u>

The College must address a number of significant financial issues including the need to refurbish Old Court and raise sufficient bursary funds to support undergraduate and graduate students in financial need. Academic fees are likely to remain unchanged for the foreseeable future while expenditure is expected to continue to increase gradually each year. Therefore, without the generous support of our alumni and donors, the College's financial performance is likely to be under considerable stress over the next several years.

## Financial Review for the year ended 30 June 2015

### 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 £3,322,000 (Note 4) including the recovery of Gift Aid. This sum included significant gifts towards the refurbishment of Old Court, the establishment of new student bursaries, and the endowment of postgraduate studentships. The College received £124,000 in legacy income during the year and the Annual Fund raised a further £306,000. One-fifth of alumni make an annual donation to the College; this is one of 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	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Donations					
Lerner Court	-	-	0.1	0.1	0.2
Old Court	0.4	0.4	0.2	-	-
Other	<u>2.9</u>	<u>4.1</u>	<u>3.4</u>	<u>1.7</u>	<u>1.7</u>
	3.3	4.5	3.7	1.8	1.9
Fundraising costs	0.5	0.4	0.4	0.4	0.3
Costs as % of donations	15%	9%	11%	22%	16%

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. Following the completion of the feasibility design work for the refurbishment of Old Court and the creation of a new, much larger buttry, the College also aims to raise more than half of the £38 million costs 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 endowment investment portfolio at 30 June 2015 was £98.0 million (note 10), with 55% invested in global equities, 25% in commercial and agricultural property in the UK, 14% in cash deposits and short-dated bonds, 2% in private equity, and 4% in the Cambridge University Endowment Fund. The College's global equity investments are held in regional tracker funds with 25% invested in the UK, 31% in the US, 14% in Europe, 16% in Japan, 12% in Emerging Markets, and 2% in the Pacific Rim. Foreign currency exposures are not hedged.

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 9.8% (2014: 7.3%) during the year. This good performance was largely attributable to strong returns from property, where direct property investments and property funds generated total returns of more than 15%, and a relatively high exposure to the US and Japanese equity markets and a lack of any currency hedging helped to boost the overall equity performance. The value of the endowment and total returns over the last five years were:

Year ended 30 June	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Investment assets	98.0	88.8	81.1	67.3	69.5
Actual net income	2.5	2.6	2.8	2.6	2.5
Gains/(losses)	<u>6.2</u>	<u>3.4</u>	<u>9.9</u>	<u>(3.4)</u>	<u>6.1</u>
Total return	8.7	6.0	12.7	(0.8)	8.6
Endowment drawdown	2.8	2.8	2.8	2.7	2.6
Drawdown as a % of Endowment	3.5%	3.9%	4.2%	4.4%	4.4%

(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 and 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 £33.3 million on the main Endowment.

## Financial Review for the year ended 30 June 2015

The College Endowment has achieved a total return of 7.4% per annum over the last ten years. The S&P 500 index has more than doubled over the last 5 years and equity market valuations are clearly extended. While the endowment total returns have exceeded the long term target of an inflation adjusted "real" return of 4% over the last ten years, there are concerns that returns may not meet this target over the next ten years. The drawdown, which is the amount taken out of the Endowment as spendable income, amounted to £2,766,000 in 2015 as compared to the net investment income actually received of £2,518,000. The realised and unrealised gains on the portfolio amounted to £6,392,000 resulting in a positive total return of £8,749,000 as set out in Note 3a. The Endowment drawdown of £2,766,000 represented 3.5% of the average value of the Endowment over the three preceding years, consistent with the 3.5% target that had been set. The aim is to draw down sufficient funds each year to support the specific activities designated by the donors, while protecting the Endowment against inflation and preserving the capital for the future, consistent with the perpetual nature of the College endowment.

### Liquidity

The College generated positive cash flow from its operational activities during the year after drawing down cash of £2,766,000 from the Endowment. The operational cash balances available at 30 June 2015 amounted to £1,096,000 (2014: £1,104,000). The construction work on the refurbishment of Castle Brae at the Colony, completed in April 2015, was largely funded from operating cash flow and resulted in a modest further reduction in cash at bank and in hand during the year. A further £10.5m is held in cash holdings within the Endowment. These cash holdings are deposited in high interest accounts with the College's two principal bankers to obtain beneficial interest rates.

### 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% per annum and the HSBC swap contract converts this into a real rate of 1.1% per annum. 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 very low real interest rates. The £15 million is to be invested in global equity tracker funds and will be 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 year to 30 June 2015 the 2048 Fund generated a total return of 7.1% gross and 5.4% net of the increase in inflation-linked liabilities and interest payments. The resulting surplus of £1,198,000 was added to the Total Return reserves as set out in Note 22. The cumulative inflation swap investment net surplus increased to £5,632,000 at 30 June 2015.

During the first period of the 40 year inflation swap (from October 2008 to June 2015) the level of RPI has risen by 19.1%, with the result that the College's liability to Santander and HSBC at June 2015 has increased to £17,867,000. At June 2015 the College had invested £9 million of the £15 million loan into global equity tracker funds. The US equity market, as measured by the S&P 500 has more than doubled and equity market valuations are less attractive than when the original loan was taken out. The College has, thereafter, decided to invest £2.5million of the outstanding cash balance of £6 million into UK commercial property.

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% per annum compound, consistent with 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 that it outweighed the risks involved. 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.

The complex financial structure of the inflation linked swap, and changes to accounting standards, will make it necessary to value this on a mark to market basis in next year's financial statements, resulting in a significant increase in liabilities and a reduction in reserves. The estimated value of the swap based on derivatives valuations as of 30 June 2015 shows a negative value of £8.9 million.

### Capital Expenditure and Buildings Refurbishment

In 2014 the College approved a plan to refurbish Castle Brae at a total cost of £1.8 million. In 2015 plans to refurbish three staircases in Memorial Court at a cost of £2.2 million were also approved. As a result of this ongoing refurbishment programme, capital expenditure has been maintained at a relatively high level. In the year to 30 June 2015, capital expenditure relating to buildings amounted to £2,539,000 and a further £102,000 of equipment capital expenditure was made. These figures include £823,000 spent on design work in anticipation of the future refurbishment of Old Court which is anticipated to commence in 2018. Witherford Watson and Mann, the winner of the 2013 Stirling Prize, were appointed in July 2014 to oversee this refurbishment project and it is now anticipated that the entire project will cost £38 million. A final design proposal, that will include the replacement of the Old Court roof, the refurbishment of the public spaces, the creation of additional en suite facilities, and the construction of a new enlarged butchery space, will be made to the Governing Body in Michaelmas term 2015.



## Financial Review for the year ended 30 June 2015

The cost of repairing the College's historic buildings represents a substantial financial commitment 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 must be committed each year to the maintenance of the College's historic fabric and buildings. The Finance Committee has approved a longer term target to spend a sum equal to 1.5% of the insurance replacement value of the College's operational buildings each year on the repair and maintenance of the College's operational estate. The insurance replacement value of the College's operational buildings increased to £179 million as of 30 June 2015. The level of fixed asset costs on building is expected to increase to more than £2.6 million in coming years.

### Reserves Policy

The College's unrestricted funds and reserves amount to £86 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 £46 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 those of 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 686 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, preparing 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 those 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, enabling 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 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 2015

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 deterred from applying by financial concerns. The educational benefits provided by the College extend to students from other Colleges, to visiting schoolchildren, and to alumni who have the opportunity to attend educational events at the College, and to 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, and also in Warwickshire, through which it aims to raise the aspirations of younger people in these parts of the country. 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 are able to make valuable and distinctive contributions in the public sphere.

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. In 2015 the College was given a gold award in the NUS Green Impact within the University of Cambridge.

Lord A S Grabiner, Master

Mr P Warren, Bursar

02 November 2015

## Statement of Corporate Governance for the year ended 30 June 2015

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. It 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 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 2015 are set out on pages 2 and 3.

## Statement of Internal Control for the year ended 30 June 2015

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 2015, 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 per 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 the Audit and Finance Committees for further 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 which is considered in detail by the College officers.

## Statement of Responsibilities of the Governing Body for the year ended 30 June 2015

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 UK 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 enables 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 charity 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 2015

### 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 2015 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 2015 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 2015;
- 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 reasonable 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 2015

### Responsibilities for the financial statements and the audit

#### **Our responsibilities and those of the Governing Body**

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 the financial statements and for being satisfied 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

2 November 2015

## Statement of Principal Accounting Policies for the year ended 30 June 2015

### **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 has 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 recorded as endowments. They are then transferred 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 2015

### 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 2015

### **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. 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 2015

	Note	2015 £'000	2014 £'000
<b>Income</b>			
Academic fees and charges	1	2,901	2,819
Residences, catering and conferences	2	5,976	5,770
Endowment drawdown	3a	2,766	2,753
Donations	4	529	1,433
Capital donations released	19	150	153
Other income		194	138
<b>Total income</b>		<b>12,516</b>	<b>13,066</b>
<b>Expenditure</b>			
Education	5	4,335	4,192
Residences, catering and conferences	6	5,737	5,550
Other expenditure		774	788
<b>Total expenditure</b>		<b>10,846</b>	<b>10,530</b>
<b>Operating surplus on continuing operations</b>		<b>1,670</b>	<b>2,536</b>
Contribution to Colleges' Fund		62	60
<b>Net surplus on continuing operations</b>		<b>1,608</b>	<b>2,476</b>
Transfer from/(to) accumulated income within restricted expendable capital		652	(87)
<b>Surplus for the year retained within general reserves</b>		<b>2,260</b>	<b>2,389</b>

All results derive from continuing operations

## Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 June 2015

	Note	Restricted Funds £'000	Unrestricted Funds £'000	2015 £'000	2014 £'000
Surplus on income and expenditure account		-	2,260	2,260	2,389
(Spent)/reinvested trust fund receipts and income		(652)	-	(652)	87
Reallocation of deferred capital grant		621	-	621	-
Surplus on Total Return:					
Main endowment	3a	1,101	4,882	5,983	3,176
Inflation swap investments	3c	-	1,198	1,198	685
New endowments	20	2,789	-	2,789	2,589
<b>Total recognised gains relating to the year</b>		<b>3,859</b>	<b>8,340</b>	<b>12,199</b>	<b>8,926</b>
<b>Reconciliation</b>					
Opening reserves and endowments		35,959	76,690	112,649	103,723
Total recognised gains for the year		3,859	8,340	12,199	8,926
Closing reserves and endowments		39,818	85,030	124,848	112,649
Deferred capital donations		7,370	-	7,370	8,137
<b>TOTAL FUNDS</b>		<b>47,188</b>	<b>85,030</b>	<b>132,218</b>	<b>120,786</b>

## Consolidated and College Balance Sheets as at 30 June 2015

	Note	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
<b>Fixed assets</b>					
Tangible assets	9	30,156	30,122	28,983	28,949
Investments	10	41,710	41,710	36,851	36,851
Inflation swap investments	11	23,500	23,500	22,144	22,144
		<u>95,366</u>	<u>95,332</u>	<u>87,978</u>	<u>87,944</u>
<b>Endowment assets</b>					
Endowment investments	10	56,311	56,311	51,925	51,925
<b>Current assets</b>					
Stock	13	282	282	298	298
Debtors	14	833	1,095	907	1,356
Cash at bank and in hand	15	1,096	416	1,104	328
		<u>2,211</u>	<u>1,793</u>	<u>2,309</u>	<u>1,982</u>
Creditors : amounts falling due within one year	16	(3,803)	(3,386)	(3,718)	(3,390)
<b>Net current liabilities</b>		<u>(1,592)</u>	<u>(1,593)</u>	<u>(1,409)</u>	<u>(1,408)</u>
<b>Total assets less current liabilities</b>		150,085	150,050	138,494	138,461
Creditors : amounts falling due after more than one year	17	(17,867)	(17,867)	(17,708)	(17,708)
<b>NET ASSETS</b>		<u><u>132,218</u></u>	<u><u>132,183</u></u>	<u><u>120,786</u></u>	<u><u>120,753</u></u>
<b>Deferred capital donations</b>					
	19	7,370	7,370	8,137	8,137
<b>Endowments</b>					
Expendable endowments	20	2,095	2,095	860	860
Permanent endowments	20	54,216	54,216	51,065	51,065
		<u>56,311</u>	<u>56,311</u>	<u>51,925</u>	<u>51,925</u>
<b>Reserves</b>					
General reserve	21	26,827	26,792	23,873	23,840
Fixed asset investment reserve	21	41,710	41,710	36,851	36,851
		<u>68,537</u>	<u>68,502</u>	<u>60,724</u>	<u>60,691</u>
<b>TOTAL FUNDS</b>		<u><u>132,218</u></u>	<u><u>132,183</u></u>	<u><u>120,786</u></u>	<u><u>120,753</u></u>

The financial statements on pages 18 to 31 were approved by the Governing Body on 2 November 2015 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 2015

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Net cash inflow from operating activities</b>	23	335	1,151
<b>Returns on investments and servicing of finance</b>	24	2,567	2,609
<b>Capital expenditure and financial investment</b>	24	(2,910)	(5,393)
		<hr/>	<hr/>
<b>Decrease in cash in the year</b>		(8)	(1,633)
Cash at bank and in hand at start of year		1,104	2,737
		<hr/>	<hr/>
<b>Cash at bank and in hand at end of year</b>		<b>1,096</b>	<b>1,104</b>
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements for the year ended 30 June 2015

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>1 Academic fees and charges</b>		
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate: 74 at £4,185 (2014: 194 at £4,068) and 360 at £4,500 (2014: 244 at £4,500)	1,925	1,886
Privately-funded undergraduate fee income: 41 at £6,993 (2014: 34 at £6,787)	287	231
Fee income received at the graduate fee rate: 197 at £2,424 (2014: 194 at £2,424)	471	467
Cambridge Bursary Scheme	218	235
	<u>2,901</u>	<u>2,819</u>
<b>2 Income from residences, catering and conferences</b>		
Accommodation		
College members	2,569	2,411
Conferences	1,388	1,255
Catering		
College members	611	693
Conferences	1,408	1,411
	<u>5,976</u>	<u>5,770</u>
<b>3a Total return on investments</b>		
Actual income from:		
Land and buildings	565	614
Quoted equity securities	1,485	1,562
Fixed interest securities	381	315
Other interest receivable	87	100
	<u>2,518</u>	<u>2,591</u>
Gains on endowment assets:		
Land and buildings	2,536	29
Quoted and other securities and cash	3,856	3,471
Investment management costs (note 3b)	(161)	(75)
Total return on investments	<u>8,749</u>	<u>6,016</u>
Endowment drawdown included in income and expenditure account	2,766	2,753
Share of total return to College student societies	-	87
Surplus on total return included within statement of total recognised gains and losses (note 22)	5,983	3,176
Total return on investments	<u>8,749</u>	<u>6,016</u>
<p>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.</p>		
<b>3b Investment management costs</b>		
Land and buildings	126	33
Quoted securities	15	11
Other investments	18	16
Cash	2	15
Total	<u>161</u>	<u>75</u>

## Notes to the financial statements for the year ended 30 June 2015

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>3c Total return on inflation swap contracts</b>		
Actual income from:		
Quoted securities	366	371
Other interest receivable	61	20
	<u>427</u>	<u>391</u>
Gains on inflation swap asset	1,147	935
Increase in inflation-linked amount due to HSBC (note 17)	(159)	(430)
Interest and fees (note 3d)	(217)	(211)
Total return on inflation swap contracts (note 22)	<u>1,198</u>	<u>685</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	(195)	(193)
Interest paid to Santander	(666)	(670)
	<u>(861)</u>	<u>(863)</u>
Interest received from HSBC	666	664
	<u>(195)</u>	<u>(199)</u>
Fees on inflation swap investments	(22)	(12)
	<u>(217)</u>	<u>(211)</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	529	1,433
Restricted donations included in statement of recognised gains and losses	2,789	2,589
Deferred capital donations received (note 19)	4	428
	<u>3,322</u>	<u>4,450</u>

### 5 Education expenditure

Teaching	2,077	2,028
Tutorial	656	649
Admissions and access	787	750
Research	440	398
Scholarships and awards	216	198
Other educational facilities	159	169
	<u>4,335</u>	<u>4,192</u>



## Notes to the financial statements for the year ended 30 June 2015

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>6 Residences, catering and conferences expenditure</b>			
Accommodation	College members	2,595	2,524
	Conferences	1,344	1,285
Catering	College members	738	781
	Conferences	1,060	960
		<u>5,737</u>	<u>5,550</u>

### 7a Analysis of 2015 expenditure by activity

	<b>Staff costs</b>	<b>Other</b>	<b>Depreciation</b>	<b>2015</b>
	<b>(note 8)</b>	<b>expenses</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education	2,502	1,432	401	4,335
Residences, catering and conferences	2,756	2,039	942	5,737
Fundraising and alumni relations	282	206	-	488
Other	-	286	-	286
	<u>5,540</u>	<u>3,963</u>	<u>1,343</u>	<u>10,846</u>

### 7b Analysis of 2014 expenditure by activity

	<b>Staff costs</b>	<b>Other</b>	<b>Depreciation</b>	<b>2014</b>
	<b>(note 8)</b>	<b>expenses</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<u>5,298</u>	<u>3,910</u>	<u>1,322</u>	<u>10,530</u>

### 7c Auditors' remuneration

Other operating expenses include:

Audit fees payable to the College's external auditors

<b>2015</b>	<b>2014</b>
<b>£'000</b>	<b>£'000</b>
27	22
<u>27</u>	<u>22</u>

### 8 Staff costs

	<b>College</b>	<b>Other academic</b>	<b>Non-academic</b>	<b>2015</b>	<b>2014</b>
	<b>Fellows</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Emoluments	1,248	239	3,281	4,768	4,597
Social security costs	96	-	264	360	349
Other pension costs (see note 26)	133	-	279	412	352
	<u>1,477</u>	<u>239</u>	<u>3,824</u>	<u>5,540</u>	<u>5,298</u>

#### Average numbers:

College Fellows who are also members of the Governing Body,  
of whom 74 were remunerated (2014: 69)

Non-academic staff : full time equivalents

Total

114	110
<u>123</u>	<u>122</u>
<u>237</u>	<u>232</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 2015

### 9 Tangible Assets

Group	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	Heritage assets £'000	2015 £'000	2014 £'000
<b>Cost</b>					
At start of year	39,324	3,505	62	42,891	38,914
Additions and improvements at cost	2,539	102	-	2,641	2,572
Transfer from endowment assets	-	-	-	-	1,430
Disposals at cost	(125)	(51)	-	(176)	(25)
At end of year	41,738	3,556	62	45,356	42,891
<b>Depreciation</b>					
At start of year	11,570	2,338	-	13,908	12,607
Charge for the year	1,049	294	-	1,343	1,322
Eliminated on disposals	-	(51)	-	(51)	(21)
At end of year	12,619	2,581	-	15,200	13,908
<b>Net book value</b>					
At end of year	29,119	975	62	30,156	
At start of year	27,754	1,167	62	28,983	

  

College	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	Heritage assets £'000	2015 £'000	2014 £'000
<b>Cost</b>					
At start of year	39,290	3,505	62	42,857	38,880
Additions and improvements at cost	2,539	102	-	2,641	2,572
Transfer from endowment assets	-	-	-	0	1,430
Disposals at cost	(125)	(51)	-	(176)	(25)
At end of year	41,704	3,556	62	45,322	42,857
<b>Depreciation</b>					
At start of year	11,570	2,338	-	13,908	12,607
Charge for the year	1,049	294	-	1,343	1,322
Eliminated on disposals	-	(51)	-	(51)	(21)
At end of year	12,619	2,581	-	15,200	13,908
<b>Net book value</b>					
At end of year	29,085	975	62	30,122	
At start of year	27,720	1,167	62	28,949	

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 2015 was £179 million (2014 : £153 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 2015

### 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:

	2015 £'000	2011 - 2014 £'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	2015 £'000	2014 £'000
Market value at start of year	71,452	17,324	88,776	81,053
Acquisitions at cost	5,610	7,546	13,156	12,352
Proceeds on disposal	(6,951)	(3,352)	(10,303)	(6,699)
Transfer to operational assets	-	-	-	(1,430)
Realised gain on disposal	1,067	802	1,869	902
Net gain/(loss) on revaluation	2,789	1,734	4,523	2,598
Market value at end of year	<u>73,967</u>	<u>24,054</u>	<u>98,021</u>	<u>88,776</u>
Represented by:				
Property investment			24,054	17,324
Quoted securities - equities			54,843	49,419
Quoted securities - fixed interest			6,907	6,765
Unquoted securities - equities			1,748	1,537
Cash held for reinvestment			10,469	13,731
Total			<u>98,021</u>	<u>88,776</u>
<b>Fixed asset investments</b>			41,710	36,851
<b>Endowment assets (note 20)</b>			56,311	51,925
Total			<u>98,021</u>	<u>88,776</u>

### 11 Inflation swap investments Group and College

	Securities £'000	Cash £'000	2015 £'000	2014 £'000
Market value at start of year	16,476	5,668	22,144	21,024
Acquisitions at cost	615	-	615	390
Proceeds on disposal	-	(406)	(406)	(205)
Net gain on revaluation	1,147	-	1,147	935
Market value at end of year	<u>18,238</u>	<u>5,262</u>	<u>23,500</u>	<u>22,144</u>
Represented by:				
Quoted securities - equities			18,238	16,476
Cash held for reinvestment			5,262	5,668
Market value at end of year			<u>23,500</u>	<u>22,144</u>

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 2015

### 12 Subsidiary undertakings

	Country of Incorporation and Operation	Cost £	Class of shares	Proportion of shares held
Clare College Ltd	United Kingdom	20,001	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. 510,000 issued ordinary shares of £1 each, held by the College, were cancelled and extinguished in the year.

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.

	2015 £'000	2014 £'000
<b>13 Stock</b>		
<b>Group and College</b>		
Goods for resale	280	293
Other stocks	2	5
Total	<u>282</u>	<u>298</u>

### 14 Debtors

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Members of the College	64	64	88	88
Other debtors	343	193	319	179
Amounts due from subsidiary undertakings	-	418	-	604
Prepayments and accrued income	426	420	500	485
	<u>833</u>	<u>1,095</u>	<u>907</u>	<u>1,356</u>

### 15 Cash at bank and in hand

Bank deposits	186	186	176	176
Current accounts	907	227	925	149
Cash in hand	3	3	3	3
	<u>1,096</u>	<u>416</u>	<u>1,104</u>	<u>328</u>

## Notes to the financial statements for the year ended 30 June 2015

### 16 Creditors: amounts falling due within one year

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Trade creditors	259	254	330	327
Members of the College	163	163	250	250
University fees	4	4	4	4
College student societies	1,661	1,661	1,617	1,617
Contribution to Colleges' fund	62	62	60	60
Other creditors	266	266	252	252
Amounts due to subsidiary undertakings	-	-	-	-
Accruals and deferred income	1,388	976	1,205	880
	<u>3,803</u>	<u>3,386</u>	<u>3,718</u>	<u>3,390</u>

The College holds investments of £1,629,000 (2014: £1,585,000) on behalf of student societies which is included within the £1,661,000 (2014: £1,617,000) owed to College student societies.

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

	2015 £'000	2014 £'000
Loan repayable in 2048 to Santander	15,000	15,000
Inflation-linked amount due to HSBC	2,867	2,708
	<u>17,867</u>	<u>17,708</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 2015 the value of the investments was £23,500,000 (2014: £22,144,000) and the liabilities to Santander and HSBC totalled £17,867,000 (2014: £17,708,000). The increase of £159,000 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 Group and College

	2015 £'000	2014 £'000
Authorised and contracted for pre-construction services	4,295	89
Authorised and contracted for construction services	2,167	1,948

### 19 Deferred capital donations Group and College

Balance at start of year	8,137	7,862
Donations received for Lerner Court	4	17
Donations received for Old Court reclassified to endowment	-	411
Old Court opening balance moved to endowment	(621)	-
Released to income and expenditure account	(150)	(153)
Balance at end of year	<u>7,370</u>	<u>8,137</u>

## Notes to the financial statements for the year ended 30 June 2015

### 20 Endowments Group and College

	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2015 £'000	2014 £'000
Balance at start of year:						
Capital	5,489	25,165	30,654	-	30,654	26,960
Unspent income	10,477	9,934	20,411	860	21,271	21,080
New endowments received in year	-	2,044	2,044	745	2,789	2,589
Reclassification of prior years Old Court donations	-	-	-	621	621	-
Income receivable from endowment asset investments	559	1,228	1,787	30	1,817	1,682
Expenditure	(471)	(1,693)	(2,164)	(217)	(2,381)	(1,376)
Increase in market value of investments	439	1,045	1,484	56	1,540	990
Balance at end of year	<u>16,493</u>	<u>37,723</u>	<u>54,216</u>	<u>2,095</u>	<u>56,311</u>	<u>51,925</u>
Comprising:						
Capital	5,639	27,996	33,635	-	33,635	30,654
Unspent income	10,854	9,727	20,581	2,095	22,676	21,271
	<u>16,493</u>	<u>37,723</u>	<u>54,216</u>	<u>2,095</u>	<u>56,311</u>	<u>51,925</u>
Representing:						
Fellowship funds					8,960	7,921
Scholarship funds					17,320	16,687
Prize funds					1,550	1,456
Hardship funds					6,059	5,992
Bursary funds					5,367	4,321
Travel grant funds					808	762
Building renewals fund					7,298	6,614
General endowments					<u>8,949</u>	<u>8,172</u>
					<u>56,311</u>	<u>51,925</u>

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

### 21 Reserves

Group	General reserve	Fixed asset investment reserve	2015	2014
	£'000	£'000	£'000	£'000
Balance at start of year	23,873	36,851	60,724	55,683
Surplus retained for the year	2,954	1,876	4,830	3,433
Increase in market value of investments	-	2,983	2,983	1,608
Balance at end of year	<u>26,827</u>	<u>41,710</u>	<u>68,537</u>	<u>60,724</u>

  

College	General reserve	Fixed asset investment reserve	2015	2014
	£'000	£'000	£'000	£'000
Balance at start of year	23,840	36,851	60,691	55,414
Surplus retained for the year	2,952	1,876	4,828	3,669
Increase in market value of investments	-	2,983	2,983	1,608
Balance at end of year	<u>26,792</u>	<u>41,710</u>	<u>68,502</u>	<u>60,691</u>

## Notes to the financial statements for the year ended 30 June 2015

### 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	2015 £'000	2014 £'000
Balance at start of year	27,337	4,434	31,771	27,910
Surplus of total return for year (note 3)	5,983	1,198	7,181	3,861
Balance at end of year	<u>33,320</u>	<u>5,632</u>	<u>38,952</u>	<u>31,771</u>

### 23 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Surplus on continuing operations	1,608	2,476
Depreciation of tangible assets	1,343	1,322
Loss on disposal of tangible assets	125	4
Deferred capital grants released to income	(150)	(153)
Endowment drawdown	(2,766)	(2,753)
Decrease in stocks	16	4
Decrease in debtors	74	946
Increase/(decrease) in creditors	85	(695)
<b>Net cash inflow from operating activities</b>	<u>335</u>	<u>1,151</u>

### 24 Cash flows

	2015 £'000	2014 £'000
<b>Returns on investments and servicing of finance</b>		
Endowment and investment income received	2,518	2,591
Income from inflation swap investments	427	391
Share to College student societies	-	(87)
Interest and investment management costs paid	(378)	(286)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<u>2,567</u>	<u>2,609</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible assets	(2,641)	(2,572)
Donations for buildings received	4	428
Endowments received	2,789	2,589
Proceeds on disposal of endowment investments	10,303	6,699
Purchase of endowment investments	(13,156)	(12,352)
Proceeds on disposal of inflation swap investments	406	205
Purchase of inflation swap investments	(615)	(390)
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(2,910)</u>	<u>(5,393)</u>

### 25 Related Party Transactions

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

Transactions totalling £7,350,000 relating to the subscription of units in The Diversified Property Fund for Charities took place with Sanne Group Nominees and Eskmuir FM Limited. The Bursar represents the College as a member of the Investment Advisory Board of the Diversified Property Fund for Charities. There are no amounts outstanding at the balance sheet date.

## Notes to the financial statements for the year ended 30 June 2015

### 26 Pension Schemes

The College operates a defined contribution pension scheme, mainly for permanent contracted non-academic employees, which is contracted into the State Second Pension (S2P). Temporary employees are offered the National Employment Savings Trust (NEST) scheme, a defined contribution scheme set up by the Government. 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. Because of the mutual nature of the USS scheme, this scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is therefore exposed to actuarial risks associated with the other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as required by FRS17 'Retirement Benefits', it 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 year.

A contingent liability exists in relation to the pension valuation recovery plan, since the College is an employer of members within the USS scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the College's expenditure is similarly not recognised.

The total pension cost for the College was £412,000 (2014: £352,000). The contribution rate payable by the College was 16% of pensionable salaries for the USS (£133,000 in 2015). For the defined contribution scheme, existing members prior to 1 January 2014 were entitled to increase or decrease the contribution rate from 1 January 2015. Current rates payable for these members are from a minimum of 6% to a maximum of 15.3%. New members after 1 January 2014 could also change their contribution rates and current rates payable for them are minimum 6% to a maximum of 14% (£279,000 in 2015). Employer contributions to NEST were 1% of qualifying pay and contributions for 2015 were negligible. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions.

The latest triennial actuarial valuation of the USS scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that the employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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 2015 the College has 33 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.