

CLARE COLLEGE, CAMBRIDGE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

CLARE COLLEGE, CAMBRIDGE

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

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CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2008

The College is a corporate body consisting of the Master, the Fellows and the Scholars. It is an exempt charity, with its registered office at Trinity Lane, Cambridge CB2 1TL.

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

The names of the members of the Governing Body, the Council, the Finance, Audit and Investments Committees as at 30 June 2008 were as follows:

Governing Body

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

Mr N H Andrews	Dr P Jones	Dr N H Woodcock
Dr A Bamberg Migliano	Dr P F Knewstubb	Professor J Woodhouse
Dr P D Bristowe	Dr T W Knighton	Dr G H Wright
Mr T C Brown	Dr M M Lahr	Mr R Bantval Rao, MCR President
Dr W J Byrne	Dr S Lazar	Mr T Jones, UCS President
Dr R Cacho	Dr P F Leadley	
Professor P A Cartledge	Mr I Lestas	
Dr C J Clarke	Dr T M Lewens	
Professor N S Clayton	Dr J D McEwen	
Dr C H Duff	Dr M Majerus	
Dr M Dunajski	Dr A Manica	
Dr R Dyball	Dr T Moore	
Dr F Edmonds	Dr G I Olgivie	
Dr P A W Edwards	Dr G F Parker	
Dr T Follini	Professor L C Paulson	
Professor P J Ford	Mr M J Petty	
Dr W A Foster	Professor R T Phillips	
Dr E A Foyster	Dr A Philpott	
Professor S C Franklin	Dr A Preston	
Mrs E M Freeman	Dr W A Pullan	
Dr A D Friend	Dr K F Riley	
Dr M Frolova-Walker	Dr H L Sanson	
Dr J Gibson	Dr R S Schofield	
Professor R C Glen	Dr R Semple	
Dr J M Goodman	Professor A S Sinclair	
Dr N C Greenham	Professor M Sprik	
Rev'd R D Greeves	Professor R Sterckx	
Professor H Griffiths	Dr J Tasioulas	
Dr J A Guy	Professor A Thomason	
Professor W A Harris	Dr H E Thompson	
Dr R M Harris	Dr F Toxvaerd	
Dr D Hedley	Dr A R L Travis	
Dr N B Holdstock	Professor L K Tyler	
Professor A B Holmes	Dr I Van Damme	
Professor S M A Honkapohja	Dr H A Van Noorden	
Mr D R Howarth	Dr H W van Veen	
Dr H F Jahn	Dr M Weeks	
Mr A L Johnson	Dr C Weiss	
Mr S W C Jolly	Dr T A H Wilkinson	

CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2008

Council

The Master
Dr Fara (Senior Tutor)
Mr Hearn (Bursar)
Dr Foster (Admissions Tutor)
Professor Clayton (Graduate Tutor)
Dr Tasioulas (Financial Tutor)
Rev'd Greeves (Dean)
Mr Brown
Dr Follini
Dr Lazar
Dr Preston
Dr Lestas
Mr Bantval Rao, MCR President
Mr Jones, UCS President

Finance Committee

The Master
Mr Hearn (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Mr Petty (Steward)
Professor Glen
Dr Toxvaerd
Mr Johnson
Dr Guy
Professor Thomason
Mr Bantval Rao, MCR President
Mr Jones, UCS President

Auditors

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

Solicitors

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

Property Managers

Bidwells Property Consultants
Trumpington Road
Cambridge CB2 2LD

Investments Committee

The Master
Mr Hearn (Bursar)
Mr Smithers, Clare alumnus
Mr Cumming, Clare alumnus
Professor Ostriker
Mr Thompson, external member

Audit Committee

Professor Glen
Mr Smith, Clare Alumnus
Dr Thompson

Bankers

Barclays Bank plc
Cambridge Business Centre
Cambridge CB2 3PZ

Investment Fund Managers

State Street Global Advisors
25 Bank Street
London E14 5LE

CLARE COLLEGE, CAMBRIDGE

AIMS AND OBJECTIVES OF THE COLLEGE

YEAR ENDED 30 JUNE 2008

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

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

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

Over the next three years, the College is committed to sustaining and enhancing its particular contribution to Cambridge and to society in general, by:

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

CLARE COLLEGE, CAMBRIDGE

FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2008

Financial Results

The College achieved a Net Surplus of £658,000, as set out in the Income and Expenditure Account on page 15. This included £761,000 of donations of a revenue nature, but it did not include capital donations totalling £2,597,000 in connection with the new building project. These have been credited to the Statement of Total Recognised Gains and Losses on page 16 which also includes the capital losses on the Endowment of £6,428,000 resulting from the investment market falls during the year.

Year ended 30 June	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Operating income	9.6	9.0	9.3	8.0	7.0
Exceptional income	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>-</u>	<u>-</u>
	9.6	10.6	9.3	8.0	7.0
Expenditure	<u>8.9</u>	<u>7.9</u>	<u>7.3</u>	<u>6.5</u>	<u>5.7</u>
Net Surplus	<u>0.7</u>	<u>2.7</u>	<u>2.0</u>	<u>1.5</u>	<u>1.3</u>

The Net Surplus of £658,000 was £241,000 below budget as a result of the Finance Committee's decision to reinforce the College's operational services with additional staff. Furthermore, the Net Surplus was not sufficient to cover the transfer of £1,695,000 to the building renewals reserve which is being accumulated to cover a full 2% depreciation charge on the historic buildings. The College's financial position can be described as being adequate without in any way being comfortable. There is still much to be done in providing for graduate students, refurbishing the historic buildings and raising the remuneration of Teaching Fellows to a realistic level.

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

Standards at the top of Higher Education in global terms are continuing to rise. Clare is determined to stay in the top echelon. Last year this meant spending £5,569 on each undergraduate student, mainly on the intensive support provided by the individual's Director of Studies and supervisors. The total cost of educating 466 undergraduates and supporting 194 graduate students came to £2,963,000, which can only be sustained through the generosity of benefactors. The Government makes its own contribution, paying £3,456 for each undergraduate by way of the College Fee. This leaves a shortfall of £2,113 for each undergraduate student, amounting to 38% of the total cost.

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

CLARE COLLEGE, CAMBRIDGE

FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2008

Benefactions and Donations

The College is very grateful for the many donations and bequests from Clare members, well-wishers, corporate donors, trusts and foundations which totalled £3,358,000 in the year including the recovery of Gift Aid. This included £2,597,000 towards the construction of the new court and a further £761,000 for other purposes, including donations for the Clare Boat Club and other separate trusts. In addition, the College has been notified of new legacies in favour of Clare totalling £282,000. Philanthropic donations to the College have more than quadrupled in three years, reflecting the loyalty of Clare alumni and the College's sustained investment in development.

Investments and Endowment drawdown

The market value of the Endowment portfolio at 30 June 2008 was £66 million, invested in global equities (41%), commercial property in the UK (25%) and short-dated bonds and deposits (34%). The College's current view is that all markets are over-valued, and as a result the portfolio is continuing to be invested heavily in cash deposits. The recent down-turn in the equity and commercial property markets have had a negative impact of 8.8% on the value of the College's portfolio in the year to 30 June 2008. Subsequent falls in quoted securities (equities and fixed interest) have resulted in a further reduction of £9 million in the Endowment at 31 October 2008. The College's defensive asset allocation and the recent sale of some property holdings have protected the College from more significant losses.

Year ended 30 June	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Endowment assets	66.0	73.9	66.0	58.9	53.1
Actual income	3.2	3.2	2.7	2.6	2.5
Gains (losses)	<u>(6.6)</u>	<u>4.1</u>	<u>5.9</u>	<u>5.6</u>	<u>1.6</u>
Total return	(3.4)	7.3	8.6	8.2	4.1
Endowment drawdown	3.0	2.9	2.8	2.7	2.6
	4.1%	4.4%	4.7%	5.1%	5.0%

The College is able to invest for the very long term as it is free from volatility pressures. With investment returns showing long-term negative serial correlation, the College believes that equity markets have reached levels at 31 October 2008, at which the equity holdings will begin to be increased back to the target of 70%.

The College is meeting its target of achieving a total return of 7.5% p.a. (including inflation) over the long-term. Each year the planned drawdown from the Endowment increases by 3.5% to give a steady "dividend" flow to support the work of the College. The drawdown, which is the amount taken out of the Endowment as spendable income, amounted to £2,999,000 in 2008 as compared to the investment income actually received of £3,219,000. The College accounts for the investment income and gains/losses on a total return basis. The realised and unrealised losses on the Endowment assets amounted to £6,648,000 (2007: gain of £4,061,000). This resulted in a negative total return of £3,429,000 as set out in Note 3 on Page 19. The Endowment drawdown of £2,999,000 represented 4.1% of the value of Clare's Endowment at the start of the year which is below the target range of

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FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2008

4.5% to 5.0%. The annual drawdown was reviewed by the Finance Committee during the year in the light of economic and market conditions prevailing at that time, and agreed that the drawdown should be increased to £3,382,000 for 2008/09, which represents 5.1% of the Endowment. The aim is each year to drawdown sufficient to support the specific activities designated by the donors while protecting the Endowment against inflation, preserving and building the capital for the future.

The College decided in October 2008 to take the opportunity of borrowing £15 million index-linked over 40 years. This takes advantage of the College's ability to invest over the very long term at a time of historically very low real interest rates available to the College at 1.1%, including an inflation cap of 7%. The £15 million is being invested in global tracker funds and left to accumulate over the next 40 years in a ring-fenced trust fund over which HSBC have a security charge to cover the inflationary liability. The liability to Abbey for the conventional loan of £15 million is secured on the College's outlying operational properties valued at £24 million. Based on historical experience, there is a very high probability that this investment in global tracker funds should make a positive real return of more than 2.5% p.a. compound, which is the minimum achieved in any 40 year period since 1900 on an equity portfolio. This positive return would then represent a significant addition to the College's Endowment, helping achieve the goal of financial independence in the long term. In the event that changed economic circumstances make it appropriate, the College has the right to terminate the loan with Abbey and the inflation swap with HSBC, at the prevailing cost of termination.

Capital Expenditure and Building Renewals

In July 2007 construction work started on the new court which is being built at the corner of Memorial Court alongside Burrell's Walk. This major project, which includes a 150 seat auditorium and 34 student rooms, is scheduled for completion in December 2008. The fixed price contract will cost £8.5 million, of which £3.9 million was spent in the year. With great generosity Clare alumni have already given or pledged over £7.9 million, and it is hoped that the remaining funds will be raised before the end of the 2008/09 financial year.

A comprehensive review of the condition of the College's buildings identified a backlog of refurbishment and repairs in excess of £10 million. The College spent a total of £1.5 million on building repairs and refurbishment during the year (2007:£2.9 million). This is below the annual £2.2 million estimated as being the sensible level of expenditure required to maintain the buildings properly. It means that the College did not make any inroads on the backlog during the year because priority was given to constructing new buildings.

The Governing Body is aware that the College needs to set aside adequate sums to ensure that the ancient buildings are properly maintained over the long term. As the depreciation charge of £645,000 is based on the historic cost, an additional sum of £1,695,000 is being set aside to reflect the replacement value of the buildings. This additional sum is shown in the Income and Expenditure Account as a transfer to Building Renewals.

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FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2008

Reserves Policy

The College's unrestricted funds amount to £37 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 £50 million, represented by part of the investment portfolio.

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

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

Risk Assessment

As part of its supervision of the College's activities, the Finance Committee identifies and considers the major risks to which the College is exposed, and establishes systems and procedures to manage those risks which have been categorised as follows :

Owning and operating buildings, Information technology, Legislation and regulation, Academic and pastoral care, Financial management.

The College within the Community

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

The College intends to measure its carbon, water and waste footprint and to report on these measures next year.

Professor A J Badger, Master

Mr D P Hearn, Bursar

10 November 2008

CLARE COLLEGE, CAMBRIDGE

RESPONSIBILITIES OF THE GOVERNING BODY

YEAR ENDED 30 JUNE 2008

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

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

The Finance Committee is responsible for ensuring that there is an effective system of internal control and that accounting records are properly kept. It is required to present financial statements for each financial year, which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing those financial statements the Governing Body is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Governing Body is responsible for keeping proper accounting records which disclosure with reasonable accuracy at any time the financial position of the College and to enable them to ensure that the financial statements comply with the Statutes of the University of Cambridge. They are also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the College's website.

CLARE COLLEGE, CAMBRIDGE

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

YEAR ENDED 30 JUNE 2008

We have audited the financial statements of the College which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes, for the year ended 30 June 2008 on pages 12 to 28, which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

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

Respective Responsibilities of the College's Governing Body and Auditors

As described in the statement of the Governing Body responsibilities, the Governing Body is responsible for preparation of the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Their responsibilities are set out in the Statement of Responsibilities of the Governing Body.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the accounting policies set out therein, with the provision of the statutes of the College and with the statutes of the University of Cambridge.

We also report if, in our opinion, the College has not kept proper accounting records, or if we have not received the information and explanations required for our audit.

We are not required to consider whether the statement in the financial review concerning the major risks to which the College is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the College's risk management and control procedures.

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

Basis of Audit Opinion

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

CLARE COLLEGE, CAMBRIDGE

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

YEAR ENDED 30 JUNE 2008

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

Opinion

In our opinion the contribution due from the College to the University has been correctly computed in accordance with the provision of Statute G, II of the University of Cambridge and in all material respects income received from the University of Cambridge out of grants from the Higher Education Funding Council for England during the year ended 30 June 2008 has been applied to the purposes for which it was received.

In our opinion the financial statements:

- give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the state of the College's affairs as at 30 June 2008 and of its results for the year then ended; and
- have been properly prepared in accordance with the accounting policies set out therein and statutes of the College and of the University of Cambridge; and
- the information in the financial review is consistent with the financial statements.

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

CLARE COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2008

Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and the University of Cambridge and applicable Accounting Standards.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the College and its subsidiary undertaking for the year ended 30 June 2008. The results of any subsidiary undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. The activities of student societies have not been consolidated.

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

Recognition of income and endowment return

The College invests its endowment 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 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 Endowment drawdown, is included in the statement of recognised gains and losses.

Donations and benefactions of an income nature are shown as income in the year in which they become receivable.

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

CLARE COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2008

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

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

Pension schemes

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

Pension contributions for the defined contribution pension scheme for most of the non-academic staff are accounted for as costs in the year in which they are incurred.

Tangible fixed assets

a. Land and buildings

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

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

Where land and buildings are acquired with the aid of specific bequests or donations they are capitalised and depreciated as above. The related benefactions are credited to permanent capital.

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

b. Maintenance and Renewal of premises

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

The College also sets aside sums on a regular basis to meet major renewal costs, which occur on an irregular basis. These major renewal costs are treated as capital improvements and are added to the cost of buildings, including historic buildings.

The sums set aside are held in a designated fund for building renewals, so as to ensure that adequate provision is made over the long term to cover the repair and renewal of the College's operational buildings. The sums set aside each year represent 2% of the current insurance value of the operational buildings; an appropriate deduction is made from the annual transfer to the designated fund for the building depreciation actually charged in the year.

CLARE COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2008

c. Furniture, fittings and equipment

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

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

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

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

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

Investments

Investments are included in the balance sheet at market value.

Stocks

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

Provisions

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

Foreign currencies

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

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

Contribution under Statute G,II

The College is liable to be assessed for Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund.

CLARE COLLEGE, CAMBRIDGE
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT
FOR YEAR ENDED 30 JUNE 2008

		2008	2007
		£'000	£'000
INCOME	Note		
Academic fees	1	2,025	1,873
Residences, catering and conferences	2	3,664	3,440
Endowment drawdown	3	2,999	2,911
Revenue donations		761	697
Profit on sale of operational assets		-	1,604
Other income		<u>106</u>	<u>86</u>
Total income		<u>9,555</u>	<u>10,611</u>
EXPENDITURE			
Education	4	3,161	2,765
Residences, catering and conferences	5	4,763	4,296
Other expenditure		<u>844</u>	<u>708</u>
Total expenditure		<u>8,768</u>	<u>7,769</u>
OPERATING SURPLUS		787	2,842
Contribution to Colleges' Fund	6	<u>129</u>	<u>133</u>
NET SURPLUS BEFORE TRANSFERS		658	2,709
Transfer to building renewals		<u>(1,695)</u>	<u>(1,596)</u>
NET (DEFICIENCY)/ SURPLUS		<u>(1,037)</u>	<u>1,113</u>

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR YEAR ENDED 30 JUNE 2008

	Restricted Funds £'000	Unrestricted funds		2008 Total £'000	2007 Total £'000
		Designated Funds £'000	Undesignated Funds £'000		
Net surplus before transfers	(337)	-	995	658	2,709
Surplus/(deficiency) on Total Return (Note 3)	(5,122)	-	(1,306)	(6,428)	4,348
Capital donations	2,597	-	-	2,597	2,485
Transfer to building renewals	-	1,695	(1,695)	-	-
Transfer from investment reserve	-	(122)	122	-	-
Total recognised gains/(losses) for the year	(2,862)	1,573	(1,884)	(3,173)	9,542
Balance at start of year	<u>52,405</u>	<u>13,609</u>	<u>23,664</u>	<u>89,678</u>	<u>80,136</u>
Balance at end of year	<u>49,543</u>	<u>15,182</u>	<u>21,780</u>	<u>86,505</u>	<u>89,678</u>

CLARE COLLEGE, CAMBRIDGE
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	8	20,030	15,533
Investments	9	<u>66,015</u>	<u>73,858</u>
		<u>86,045</u>	<u>89,391</u>
CURRENT ASSETS			
Stocks		357	374
Debtors	10	1,161	872
Cash		<u>1,323</u>	<u>1,749</u>
		<u>2,841</u>	<u>2,995</u>
Creditors: amounts falling due within one year	11	<u>2,381</u>	<u>2,708</u>
NET CURRENT ASSETS		<u>460</u>	<u>287</u>
TOTAL NET ASSETS		<u>86,505</u>	<u>89,678</u>
CAPITAL AND RESERVES			
Restricted funds	12	49,543	52,405
Unrestricted funds		<u>36,962</u>	<u>37,273</u>
TOTAL FUNDS	14	<u>86,505</u>	<u>89,678</u>

The financial statements on pages 12 to 28 were approved by the Governing Body on 10 November 2008, and signed on their behalf by:

Professor A J Badger, Master

Mr D P Hearn, Bursar

CLARE COLLEGE, CAMBRIDGE
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2008

	Note	2008 £'000	2007 £'000
OPERATING ACTIVITIES			
Operating surplus		787	2,842
Less: Investment income and donations		<u>(3,647)</u>	<u>(3,608)</u>
Adjusted deficit		(2,860)	(766)
Depreciation	8	856	781
Profit on sale of operational assets		-	(1,604)
(Increase)/decrease in stocks		17	(20)
(Increase)/decrease in debtors	10	(289)	(142)
Increase/(decrease) in creditors	11	<u>(327)</u>	<u>683</u>
Net cash outflow from operating activities		<u>(2,603)</u>	<u>(1,068)</u>
RETURNS ON INVESTMENTS			
Retained endowment income	3	1,837	2,021
Interest received	3	<u>1,382</u>	<u>1,177</u>
Net cash inflow from returns on investments		<u>3,219</u>	<u>3,198</u>
CONTRIBUTION TO COLLEGES' FUND	6	<u>(129)</u>	<u>(133)</u>
CAPITAL TRANSACTIONS			
Disposal of operational assets	8	12	1,609
Receipts from sales of investment assets	9	16,841	3,911
Donations		<u>3,358</u>	<u>3,315</u>
Total capital receipts		<u>20,211</u>	<u>8,835</u>
Payments to improve operational assets	8	(5,365)	(3,283)
Payments to acquire investment assets	9	<u>(15,759)</u>	<u>(7,791)</u>
Total capital payments		<u>(21,124)</u>	<u>(11,074)</u>
Net (outflow) from capital transactions		<u>(913)</u>	<u>(2,239)</u>
NET INFLOW/(OUTFLOW)		(426)	(242)
Net liquid funds at start of year		<u>1,749</u>	<u>1,991</u>
Net liquid funds at end of year		<u>1,323</u>	<u>1,749</u>

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

1 ACADEMIC FEES		2008	2007
		£'000	£'000
Fee income paid on behalf of undergraduates eligible for student support: per capita fee £3,456 (2007: £3,354)		1,487	1,396
Other undergraduate fee income: per capita fee £4,385 (2007:£4,060)		159	127
Graduate fee income: per capita fee £2,073 (2007: £2,022)		368	341
Other		<u>11</u>	<u>9</u>
Total		<u>2,025</u>	<u>1,873</u>
2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES			
Accommodation: College members		1,830	1,691
Conferences		517	467
Catering: College members		736	712
Conferences		<u>581</u>	<u>570</u>
Total		<u>3,664</u>	<u>3,440</u>
3 ENDOWMENT TOTAL RETURN		2008	2007
	Income from restricted funds	Income from unrestricted funds	Total
	£'000	£'000	£'000
			Total
			£'000
Actual income from:			
Property investments	593	471	1,064
Quoted securities – equities	431	342	773
Quoted securities – fixed interest	229	181	410
Cash deposits	<u>542</u>	<u>430</u>	<u>972</u>
Total Endowment income	1,795	1,424	3,219
Gains/(losses) on Endowment assets:			
Property investments	(1,369)	(493)	(1,862)
Quoted securities – equities	(2,933)	(1,056)	(3,989)
Quoted securities – fixed interest	(684)	(246)	(930)
Cash deposits	<u>98</u>	<u>5</u>	<u>133</u>
Total gains/(losses)	<u>(4,888)</u>	<u>(1,760)</u>	<u>(6,648)</u>
Total Return			<u>(3,429)</u>
(continued on next page)			<u>7,259</u>

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

3 ENDOWMENT TOTAL RETURN (continued)	2008	2007
	£'000	£'000
Endowment drawdown included in Income & Expenditure Account	2,999	2,911
Surplus/(deficiency) on Total Return included in Statement of Recognised Gains & Losses	<u>(6,428)</u>	<u>4,348</u>
Total Return	<u>(3,429)</u>	<u>7,259</u>

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 13.

Investment management costs amounted to £76,000 (2007: £84,000).

4 EDUCATION EXPENDITURE	2008	2007
	£'000	£'000
Teaching	1,552	1,397
Tutorial	458	452
Admissions	293	262
Research	198	200
Scholarships and awards	421	243
Other educational facilities	<u>239</u>	<u>211</u>
Total	<u>3,161</u>	<u>2,765</u>

5 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

Accommodation: College members	2,974	2,703
Conferences	522	452
Catering: College members	753	687
Conferences	<u>514</u>	<u>454</u>
Total	<u>4,763</u>	<u>4,296</u>

6 CONTRIBUTION TO COLLEGES' FUND

	Note		
Endowment income	3	3,219	3,198
Less: income not assessable to Contribution		<u>(827)</u>	<u>(907)</u>
Assessable income	20	2,392	2,291
Less: Deductible items	20	<u>(833)</u>	<u>(782)</u>
Net assessable income		<u>1,559</u>	<u>1,509</u>
Assessment:			
£300,000 @ 2% (2007: £300,000 @ 2%)		6	6
£300,000 @ 6% (2007: £300,000 @ 6%)		18	18
£959,000 @ 11% (2007: 12%)		<u>105</u>	<u>109</u>
Contribution payable		<u>129</u>	<u>133</u>

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

7 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs (note 16) £'000	Other expenses £'000	Depreciation £'000	2008 Total £'000	2007 Total £'000
Education (note 4)	1,667	1,382	112	3,161	2,765
Residences, catering and conferences (note 5)	2,331	1,679	753	4,763	4,296
Other expenditure	<u>5</u>	<u>839</u>	<u>-</u>	<u>844</u>	<u>708</u>
	<u>4,003</u>	<u>3,900</u>	<u>865</u>	<u>8,768</u>	<u>7,769</u>

The costs of fundraising were £303,000 (2007: £291,000) which includes the cost of alumni relations.

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	2008 Total £'000	2007 Total £'000
COST				
As at 1 July 2007	20,233	1,543	21,776	18,507
Additions and improvements at cost	4,890	475	5,365	3,283
Disposals at cost	<u>-</u>	<u>12</u>	<u>12</u>	<u>14</u>
Cost as at 30 June 2008	<u>25,123</u>	<u>2,006</u>	<u>27,129</u>	<u>21,776</u>
DEPRECIATION				
As at 1 July 2007	5,663	580	6,243	5,471
Charge for the year	645	220	865	781
Depreciation on disposals	<u>-</u>	<u>9</u>	<u>9</u>	<u>9</u>
Depreciation as at 30 June 2008	<u>6,308</u>	<u>791</u>	<u>7,099</u>	<u>6,243</u>
NET BOOK VALUE				
as at 30 June 2008	<u>18,815</u>	<u>1,215</u>	<u>20,030</u>	
as at 30 June 2007	<u>14,570</u>	<u>963</u>	<u>15,533</u>	

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

The insured value of all the College's operational buildings as at 30 June 2008 was £117 million (2007: £112 million).

The New Court was under construction during the year at a cost of £3,861,000 which will be depreciated in future years once the building is completed in December 2008.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

9 INVESTMENT ASSETS

	Securities and Cash	Property	2008	2007
	£'000	£'000	£'000	£'000
Market value at 1 July 2007	55,215	18,643	73,858	66,050
Less: disposals at opening book value	(16,662)	-	(16,662)	(3,872)
Add: acquisitions at cost	15,664	95	15,759	7,791
Less: net loss on revaluation at 30 June 2008	<u>(5,043)</u>	<u>(1,897)</u>	<u>(6,940)</u>	<u>3,889</u>
Market value at 30 June 2008	<u>49,174</u>	<u>16,841</u>	<u>66,015</u>	<u>73,858</u>
Represented by:				
Property investments			16,841	18,643
Quoted securities - equities			26,535	29,841
Quoted securities - fixed interest			9,766	1,756
Unquoted securities - equities			429	395
Cash held for reinvestment			<u>12,444</u>	<u>23,223</u>
Total			<u>66,015</u>	<u>73,858</u>

The College wholly owns the subsidiary company Clare College Limited, which is registered in the UK. The original cost of the investment by the College was £530,000 representing 530,000 issued shares at £1. Clare College Limited was dormant until 2006 and its main activity is the management of construction projects. Its level of reserves for 2008 is £28,000 (2007 : £28,000)

10 DEBTORS

	2008	2007
	£'000	£'000
Loans	112	91
Other debtors	<u>1,049</u>	<u>781</u>
	<u>1,161</u>	<u>872</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Social Security and other taxation payable	91	240
Creditors	<u>2,290</u>	<u>2,468</u>
	<u>2,381</u>	<u>2,708</u>

CLARE COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008

12 CAPITAL AND RESERVES

	Expendable capital funds	Permanent capital funds	2008 Total	2007 Total
	£'000	£'000	£'000	£'000
<u>Restricted funds</u>				
Trust funds (held for collegiate purposes)	25,229	18,530	43,759	48,795
New Court under construction	5,784	-	5,784	3,610
<u>Unrestricted funds</u>				
Designated funds	15,182	-	15,182	13,609
Undesignated funds:				
General capital	12,126	-	12,126	14,010
Permanent capital	<u>-</u>	<u>9,654</u>	<u>9,654</u>	<u>9,654</u>
	<u>58,321</u>	<u>28,184</u>	<u>86,505</u>	<u>89,678</u>

13 CAPITAL ALLOCATION

Capital is invested in the following categories of assets:

	Fixed Assets	Investment Assets	Net Current Assets	Total
	£'000	£'000	£'000	£'000
<u>Restricted funds</u>				
Expendable capital	-	31,013	-	31,013
Permanent capital	-	18,530	-	18,530
<u>Unrestricted funds</u>				
Designated, expendable capital	-	15,182	-	15,182
Expendable capital	10,376	1,290	460	12,126
Permanent capital	<u>9,654</u>	-	-	<u>9,654</u>
Total at end of year	<u>20,030</u>	<u>66,015</u>	<u>460</u>	<u>86,505</u>
Total at start of year	<u>15,533</u>	<u>73,858</u>	<u>287</u>	<u>89,678</u>

Within reserves the following amounts represent the cumulative surpluses of total return on the Endowment assets (after deducting the annual drawdown) :

	2008	2007
	£'000	£'000
Total at start of year	15,277	10,929
Total Return (Note 3)	(3,429)	7,259
Endowment drawdown	<u>(2,999)</u>	<u>(2,911)</u>
Total at end of year	<u>8,849</u>	<u>15,277</u>

CLARE COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2008

14 MOVEMENTS IN CAPITAL AND RESERVES

	Balance at start of year	Movement in year		Balance at end of year
		Increase	Reduction	
	£'000	£'000	£'000	£'000
<u>Restricted funds</u>				
Expendable capital	32,415	-	1,402	31,013
Permanent capital	19,990	-	1,460	18,530
<u>Unrestricted funds</u>				
Designated, expendable capital	13,609	1,573	-	15,182
Expendable capital	14,010	-	1,884	12,126
Permanent capital	9,654	-	-	9,654
	<u>89,678</u>	<u>1,573</u>	<u>4,746</u>	<u>86,505</u>

15 ANALYSIS OF RESTRICTED AND DESIGNATED UNRESTRICTED FUNDS

	Restricted funds £'000	Unrestricted funds £'000	2008	2007
			Total £'000	Total £'000
Fellowships Funds	12,960	-	12,960	13,610
Scholarships Funds	13,601	-	13,601	14,894
Prize Funds	1,024	-	1,024	1,080
Bursary and Hardship Funds	5,999	-	5,999	8,401
Travel Grants Funds	502	-	502	530
Building renewals	5,151	13,443	18,594	17,387
New Court under construction	5,784	-	5,784	3,610
Other Funds	<u>4,522</u>	<u>1,739</u>	<u>6,261</u>	<u>6,502</u>
Total	<u>49,543</u>	<u>15,182</u>	<u>64,725</u>	<u>66,014</u>

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

16 STAFF	College Fellows £'000	Non- Academic £'000	2008 Total £'000	2007 Total £'000
Staff costs:				
Emoluments	936	2,537	3,473	3,019
Social security costs	59	220	279	244
Other pension costs (see note 19)	<u>69</u>	<u>182</u>	<u>251</u>	<u>234</u>
	<u>1,064</u>	<u>2,939</u>	<u>4,003</u>	<u>3,497</u>
Average numbers:				
College Fellows who are also members of the Governing Body, of whom 57 were remunerated (2007: 55)			84	89
Non-academic staff: full time equivalents			117	106
The number of College officers or employees (including the Head of House), whose remuneration, excluding pension contributions, in the following range was : £70,000 - £79,999			1	-

17 RELATED PARTY TRANSACTIONS

The University provides the majority of the College's Fellows with their primary employment, provides teaching jointly with the College, examines the undergraduate students and provides research facilities for the graduate students. The University pays fees to the College from the public money it receives from students who are based in the United Kingdom and the European Union in return for the College's role in admitting students, teaching them and ensuring their welfare. University tuition fees are billed to students by the College acting as the University's agent, and therefore these amounts (£2.2 million in 2008) are not included as income to the College in the financial statements.

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

The Union of Clare Students is paid a membership fee (£50,000 in 2008) and provides sporting and social facilities to students.

18 CAPITAL AND OTHER COMMITMENTS

	2008 £'000	2007 £'000
New Court building authorised and contracted	4,052	7,882
Castle End refurbishment authorised but not contracted	2,950	-

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

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

19 PENSION SCHEMES

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

The total pension cost for the College was £251,000 (2007: £234,000). The contribution rate payable by the College was 14% of pensionable salaries for the USS (£69,000 in 2008) and 11.3% for the College's defined contribution scheme (£182,000 in 2008). The College has 17 active members in the USS which has a total membership of 115,000.

The latest actuarial valuation of the USS was at 31 March 2005. The 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) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum.

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995 the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% 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, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

19 PENSION SCHEMES (continued)

The College contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the College contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment.

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

The next formal triennial actuarial valuation is due as at 31 March 2008 when the above rates will be reviewed as a part of each valuation.

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. The College has no current intention of ceasing to participate in the scheme, and in such an event the liability would not be significant.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

20 CONTRIBUTION ASSESSMENT

	2008	2007
	£'000	£'000
External Revenue:		
College Estates let on Building Leases	1,063	1,215
Net income from Furnished Lettings	220	182
Other income from Real Property	1	1
Dividends and interest gross	<u>361</u>	<u>441</u>
	<u>1,645</u>	<u>1,839</u>
Less:		
Rates	2	3
Agency, and management charges	251	243
Transfer to Estates Repairs & Improvements Fund	266	303
Interest payments	5	3
Sinking Fund payments under Statute GII,4(iv)	<u>77</u>	<u>74</u>
	601	626
Revenue from Trust & Other Funds subject to Contribution	<u>1,348</u>	<u>1,078</u>
ASSESSABLE INCOME	2,392	2,291
DEDUCTIBLE ITEMS		
Half sums paid to Scholars, Exhibitioners & Research Students	72	50
Prizes	10	7
Half maintenance of Chapel expenditure	11	10
Net expenditure on College Library	137	124
College Teaching Officers	256	229
College Research Fellows	120	141
College Building Fund (under Statute GII,4vii)	227	221
	<u>833</u>	<u>782</u>
NET ASSESSABLE INCOME	<u>1,559</u>	<u>1,509</u>
BUILDING FUND UNDER STATUTE GII,4(vii)		
Balance at beginning of year	1,823	1,602
Transfer for year approved under GII,4(vii)	<u>227</u>	<u>221</u>
Balance as at end of year	<u>2,050</u>	<u>1,823</u>
ESTATES REPAIRS AND IMPROVEMENTS FUND		
Balance at beginning of year	3,824	3,521
Transfer for year approved under GII,4(v)	<u>266</u>	<u>303</u>
Balance as at end of year	<u>4,090</u>	<u>3,824</u>