

CLARE COLLEGE, CAMBRIDGE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

CLARE COLLEGE, CAMBRIDGE

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

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CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2009

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 2009 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 H F Jahn	Dr M Weeks
Professor A P Balmford	Mr A L Johnson	Dr C G Weiss
Dr A Bamberg Migliano	Mr S W C Jolly	Dr T A H Wilkinson
Dr P D Bristowe	Dr P H Jones	Dr N H Woodcock
Mr T C Brown	Dr P F Knewstubb	Professor J Woodhouse
Dr W J Byrne	Dr T W Knighton	Dr G H Wright
Dr R G Cacho	Dr M M Lahr	Mr G McDowell, MCR President
Professor P A Cartledge	Dr S Lazar	Mr S Sheppard, UCS President
Professor C J Clarke	Professor P F Leadley	
Professor N S Clayton	Mr I Lestas	
Dr N Crilly	Dr T M Lewens	
Dr C H Duff	Dr A Manica	
Dr M Dunajski	Dr T Moore	
Dr R Dyball	Dr G I Olgivie	
Dr F L Edmonds	Dr G F Parker	
Dr P A W Edwards	Professor L C Paulson	
Professor P C Fletcher	Mr M J Petty	
Dr T Follini	Professor R T Phillips	
Professor P J Ford	Dr A Philpott	
Dr W A Foster	Dr T Potts	
Dr E A Foyster	Professor J Prabhu	
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 C A Russell	
Dr J S Gibson	Dr H L Sanson	
Dr J Glaurdic	Dr R S Schofield	
Professor R C Glen	The Rev'd Dr G J N Seach	
Dr J M Goodman	Dr R K Semple	
Dr N C Greenham	Professor A S Sinclair	
Professor H Griffiths	Professor M Sprik	
Dr J A Guy	Professor R Sterckx	
Dr R M Harris	Dr A M Stillman	
Professor W A Harris	Dr J A Tasioulas	
Dr D Hedley	Professor A Thomason	
Professor D A Hodell	Dr H E Thompson	
Dr N B Holdstock	Dr F Toxvaerd	
Professor A B Holmes	Professor L K Tyler	
Mr D R Howarth	Dr H A Van Noorden	
Dr J L Huppert	Dr H W van Veen	

CLARE COLLEGE, CAMBRIDGE

GOVERNING BODY, COMMITTEES AND ADVISORS

YEAR ENDED 30 JUNE 2009

Council

The Master
Dr Fara (Senior Tutor)
Mr Hearn (Bursar)
Dr Foster (Admissions Tutor)
Professor Clayton (Graduate Tutor)
Dr Tasioulas (Financial Tutor)
Professor Griffiths
Dr Lestas
Dr Parker
Dr Preston
Dr van Noorden
Mr McDowell, MCR President
Mr Sheppard, UCS President

Finance Committee

The Master
Mr Hearn (Bursar)
Dr Tasioulas (Financial Tutor)
Dr Fara (Senior Tutor)
Mr Petty (Steward)
Professor Glen
Dr Greenham
Dr Guy
Professor Phillips
Professor Thomason
Mr Bergsagel, MCR Treasurer
Miss Sutcliffe, UCS Treasurer

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 Cumming (Clare alumnus)
Professor Ostriker
Mr Smithers (Clare alumnus)
Mr Smout (Clare alumnus)
Mr Spiers (Clare alumnus)
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 2009

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 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 coming year, 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;
- Reducing the College's carbon, water and waste footprint;
- 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 2009

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 organisation.

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 £7,843 on each undergraduate student, mainly on the intensive support provided by the individual's Director of Studies and supervisors. The total cost of educating 453 undergraduates and supporting 187 graduate students came to £3,635,000, which can only be sustained through the generosity of benefactors. The Government makes its own contribution, paying £3,744 for each undergraduate by way of the College Fee. This leaves a shortfall of £4,099 for each undergraduate student, amounting to 52% of the total cost.

The Government's contribution in the future cannot be seen as reliable, since Parliament will shortly be reviewing the arrangements for tuition fees generally. This is likely to result in Clare students having to pay higher fees themselves, with a commensurate need for increased bursary provision.

Increased levels of debt for students will also inevitably lead to heavy pressure on Clare's hardship funds, which are currently supporting students to the tune of £273,000 each year.

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.

Financial Results

The College achieved a Net Surplus of £975,000, as set out in the Income and Expenditure Account on page 16. This included £684,000 of donations of a revenue nature, but it did not include capital donations totalling £1,708,000 in connection with the new building project. These capital donations have been credited to the Statement of Total Recognised Gains and Losses on page 17.

Year ended 30 June	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Operating income	10.9	9.6	9.0	9.3	8.0
Exceptional income	<u>-</u>	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>-</u>
	10.9	9.6	10.6	9.3	8.0
Expenditure	<u>9.9</u>	<u>8.9</u>	<u>7.9</u>	<u>7.3</u>	<u>6.5</u>
Net Surplus	<u>1.0</u>	<u>0.7</u>	<u>2.7</u>	<u>2.0</u>	<u>1.5</u>

The Net Surplus includes the annual drawdown of £3,382,000 from the main Endowment which suffered a capital loss of £9,417,000 (2008:£6,648,000 loss) in the year as set out on page 20. The College accounts for the investment income on a total return basis, with the net deficiency included in

CLARE COLLEGE, CAMBRIDGE

FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2009

the Statement of Total Recognised Gains and Losses. The equity rally since 30 June has had a positive impact on the main Endowment which was valued at £58.5 million at 30 September 2009, compared with £51.4 million at 30 June 2009.

The Net Surplus of £975,000 was not sufficient to cover the transfer of £1,595,000 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.

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 £2,392,000 (2008:£3,358,000) in the year including the recovery of Gift Aid. This included £1,708,000 towards the construction of the new court and a further £684,000 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 £371,000 (2008:£282,000). Philanthropic donations to the College have more than quadrupled since 2003, reflecting the loyalty of Clare alumni and the College's sustained investment in development.

Year ended 30 June	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Donations					
New Building	1.7	2.6	2.5	0.9	-
Other	<u>0.7</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>0.9</u>
	2.4	3.4	3.2	1.6	0.9
Fundraising costs	0.4	0.3	0.3	0.3	0.2
Costs as % of donations	17%	9%	9%	19%	22%

Main Endowment

The market value of the main Endowment portfolio at 30 June 2009 was £51 million, invested in global equities (51%), commercial property in the UK (23%) and short-dated bonds and deposits (26%). Last year's down-turn in the equity and commercial property markets has had a negative impact of 11% (2008:5% negative) on the value of the College's portfolio in the year. The College's defensive asset allocation and the sale of some property holdings before the collapse in asset prices have protected the College from more significant losses.

Year ended 30 June	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Endowment assets	51.4	66.0	73.9	66.0	58.9
Actual income	2.7	3.2	3.2	2.7	2.6
Gains (losses)	<u>(9.4)</u>	<u>(6.6)</u>	<u>4.1</u>	<u>5.9</u>	<u>5.6</u>
Total return	(6.7)	(3.4)	7.3	8.6	8.2
Endowment drawdown	3.4	3.0	2.9	2.8	2.7
	5.1%	4.1%	4.4%	4.7%	5.1%

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FINANCIAL REVIEW

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The College is able to invest for the very long term as it is free from volatility pressures. With investment returns showing long-term negative serial correlation, the College believes that equity markets were significantly over-valued until October 2008, at which point the College began to re-invest £1 million each month into equities, so as to bring the equity holdings back to the target of 80% (2008 : 70%) over the following two years. The College's view is that equity markets will continue to be volatile over the next two years and that the averaging of the re-investment into equities, at £1 million each month, is the most efficient way to meet the long term target. The equity portfolio is invested in global tracker funds with 42% in UK, 17% in US, 14% in Europe, 12% in Japan, 9% in Emerging Markets and 6% in the Pacific Rim. The foreign exchange exposure is not hedged.

The Endowment is invested on a Total Return basis. The total actual income and gains/losses in the year are taken to a reserve, from which the planned Endowment drawdown is released to the Income and Expenditure Account. The remaining balance of the Total Return, after deducting the drawdown, is accumulated within the reserves, as set out in Note 14 on page 26, which shows an accumulated surplus of £6.5 million on the main Endowment.

Despite the significant capital losses incurred in the last two years, 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 £3,382,000 in 2009 as compared to the investment income actually received of £2,659,000. The realised and unrealised losses on the Endowment assets amounted to £9,417,000. This resulted in a negative total return of £6,758,000 as set out in Note 3a on pages 20 and 21. The Endowment drawdown of £3,382,000 represented 5.1% of the value of Clare's Endowment at the start of the year which is just above the target range of 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 reduced to £2,930,000 for 2009/10. The aim is each year to drawdown sufficient to support the specific activities designated by the donors while protecting the Endowment against inflation, preserving the capital for the future.

Inflation Swap Investments

The College decided in October 2008 to take the opportunity of borrowing £15 million index-linked over 40 years. This took the form of a conventional loan from Abbey and an inflation swap contract with HSBC whereby the interest payments on the loan are converted from monetary rates of 4.4% to real rates of 1.1% in return for a cumulative inflation adjustment to the 1.1% interest rate and the value of the loan on repayment. The College is taking advantage of its ability to invest over the very long term at a time of historically very low real interest rates. The annual inflation adjustment to the value of the loan on repayment is capped at a rate of 7%. The £15 million is being invested in global equity tracker funds and left to accumulate over the next 40 years in a ring-fenced fund over which HSBC have a security charge to cover the inflationary liability. The liability to Abbey for the conventional loan of £15 million is secured on the College's outlying operational properties valued at £24 million.

During the first period of the 40 year inflation swap (from October 2008 to June 2009) the level of RPI has most unusually fallen, with the result that the College's liability to HSBC at June 2008 has reduced by £785,000. This is included in current debtors.

CLARE COLLEGE, CAMBRIDGE

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YEAR ENDED 30 JUNE 2009

At June 2009 the College had invested £8 million of the £15 million loan into global equity tracker funds. The intention is to continue to invest in equities over the next two years, so as to reach the target of 100% allocation to equities. In the first period to June 2009 the total return has been £1,356,000 of which £242,000 has been drawn-down to match the net interest cost and initial fees. The remaining surplus of £1,114,000 is added to the Total Return reserves as set out in Note 14 on page 26.

Based on historical experience, the Governing Body considered that this investment in global equity tracker funds should make a positive real return of more than 4% pa compound, as shown by the performance of global equity markets over 40 year periods since 1900. The Governing Body considered that this positive return would represent a significant addition to the College's Endowment, helping achieve the goal of financial independence in the long term, and outweighed the risks involved. These risks have been limited by the annual 7% inflation cap and, in the event that changed economic circumstances make it appropriate, the College has the right to terminate the loan with Abbey and the inflation swap with HSBC early, at the prevailing cost of termination.

Capital Expenditure and Building Renewals

In December 2008 the construction of Lerner Court, at the corner of Memorial Court alongside Burrell's Walk, was completed on time. This major project, which includes a 150 seat auditorium and 34 student rooms, cost £8.5 million over 18 months. With great generosity Clare alumni have already given or pledged the entire sum needed to fund this magnificent development. The Gillespie Centre is already making a significant contribution to the College's conference income.

The total refurbishment of Castle End during the year has transformed the 43 dingy and cold rooms with communal bathrooms into 51 sparkling en-suite bedrooms, with modern meeting spaces for the students, suitable also for conference delegates. This £3.1 million refurbishment was completed on schedule within a tight time frame, so as to protect the conference income earned during the long vacation.

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 £3.7 million on building repairs and refurbishment during the year (2008:£1.7 million). This includes the major works on Castle End which brought the total to more than the annual £2.2 million estimated as being the sensible level of expenditure required to maintain the buildings properly.

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 £733,000 is based on the historic cost, an additional sum of £1,595,000 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.

Reserves Policy

The College's unrestricted funds amount to £37.1 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 £43.0 million, represented by part of the investment portfolio.

CLARE COLLEGE, CAMBRIDGE

FINANCIAL REVIEW

YEAR ENDED 30 JUNE 2009

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 has committed to reducing its carbon, water and waste footprint. The 2009 Green League Report within the University showed the progress that is being made, with the College being rated as the best Cambridge College for environmental management.

In 2010 the College will be participating in the Carbon Reduction Commitment scheme, which is a mandatory cap and trade scheme in the UK. The College will be required to purchase 10% of its carbon dioxide consumption and, in the light of its comparative performance, will receive rebates.

Professor A J Badger, Master

Mr D P Hearn, Bursar

9 November 2009

CLARE COLLEGE, CAMBRIDGE

RESPONSIBILITIES OF THE GOVERNING BODY

YEAR ENDED 30 JUNE 2009

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 2009

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 2009 on pages 13 to 30, which have been prepared under the historical cost convention and the accounting policies set out on pages 13 to 15.

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 2009

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 as advised in the provisional assessment by the University of Cambridge 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 2009 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 2009 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 2009

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 2009. 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 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 drawdown on the inflation swap investments is restricted to the amount of the net interest payable and any fees on the 40 year loan and inflation swap. The surplus or deficiency of total return, after deducting the annual drawdowns, is included in the statement of recognised gains and losses for both the main endowment and the inflation swap investments.

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.

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

CLARE COLLEGE, CAMBRIDGE

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2009

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 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 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.

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 2009

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. The resulting exchange differences are dealt with in the determination of income and expenditure for the 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 2009

		2009	2008
		£'000	£'000
INCOME	Note		
Academic fees	1	2,154	2,025
Residences, catering and conferences	2	4,193	3,664
Main endowment drawdown	3a	3,382	2,999
Drawdown on inflation swap investments	3b	242	-
Revenue donations		684	761
Capital donations released		82	-
Other income		<u>132</u>	<u>106</u>
Total income		<u>10,869</u>	<u>9,555</u>
EXPENDITURE			
Education	4	3,953	3,587
Residences, catering and conferences	5	4,748	4,337
Interest and fees on inflation swap	6	242	-
Other expenditure		<u>910</u>	<u>844</u>
Total expenditure		<u>9,853</u>	<u>8,768</u>
OPERATING SURPLUS		1,016	787
Contribution to Colleges' Fund		<u>41</u>	<u>129</u>
NET SURPLUS BEFORE TRANSFERS		975	658
Transfer to building renewals		<u>(1,595)</u>	<u>(1,695)</u>
NET (DEFICIENCY)		<u>(620)</u>	<u>(1,037)</u>

CLARE COLLEGE, CAMBRIDGE

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR YEAR ENDED 30 JUNE 2009

	Restricted Funds £'000	Unrestricted funds Designated Funds £'000	Undesignated Funds £'000	2009 Total £'000	2008 Total £'000
Net surplus before transfers	448	-	527	975	658
Surplus/(deficiency) on Total Return					
Main endowment (Note 3a)	(8,646)	-	(1,494)	(10,140)	(6,428)
Inflation swap investments (Note 3b)	-	1,114	-	1,114	-
Capital donations	1,708	-	-	1,708	2,597
Release of deferred capital donations	(82)	-	-	(82)	-
Transfer to building renewals	<u>-</u>	<u>1,595</u>	<u>(1,595)</u>	<u>-</u>	<u>-</u>
Total recognised gains/(losses) for the year	(6,572)	2,709	(2,562)	(6,425)	(3,173)
Balance at start of year	<u>49,543</u>	<u>15,182</u>	<u>21,780</u>	<u>86,505</u>	<u>89,678</u>
Balance at end of year	<u>42,971</u>	<u>17,891</u>	<u>19,218</u>	<u>80,080</u>	<u>86,505</u>

CLARE COLLEGE, CAMBRIDGE
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	8	26,611	20,030
Endowment investments	9a	51,419	66,015
Inflation swap investments	9b	<u>15,609</u>	<u>-</u>
		<u>93,639</u>	<u>86,045</u>
CURRENT ASSETS			
Stocks		352	357
Debtors	10	1,748	1,161
Cash		<u>1,744</u>	<u>1,323</u>
		<u>3,844</u>	<u>2,841</u>
Creditors: amounts falling due within one year	11	<u>2,403</u>	<u>2,381</u>
NET CURRENT ASSETS		<u>1,441</u>	<u>460</u>
Total Assets Less Current Liabilities		95,080	86,505
Creditors: amounts falling due after one year	12	<u>15,000</u>	<u>-</u>
TOTAL NET ASSETS		<u>80,080</u>	<u>86,505</u>
CAPITAL AND RESERVES			
Restricted funds	13	42,971	49,543
Unrestricted funds		<u>37,109</u>	<u>36,962</u>
TOTAL FUNDS	15	<u>80,080</u>	<u>86,505</u>

The financial statements on pages 13 to 30 were approved by the Governing Body on 9 November 2009, 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 2009

	Note	2009 £'000	2008 £'000
OPERATING ACTIVITIES			
Operating surplus		1,016	787
Less: Investment income and donations		<u>(4,308)</u>	<u>(3,647)</u>
Adjusted deficit		(3,292)	(2,860)
Depreciation		981	868
Capital donations release		(82)	-
(Increase)/decrease in stocks		5	17
(Increase)/decrease in debtors	10	(587)	(289)
Increase/(decrease) in creditors	11	<u>22</u>	<u>(327)</u>
Net cash outflow from operating activities		<u>(2,953)</u>	<u>(2,591)</u>
RETURNS ON INVESTMENTS			
Retained endowment income	3a	1,695	1,837
Interest received	3a	964	1,382
Income from inflation swap	3b	<u>281</u>	<u>-</u>
Net cash inflow from returns on investments		<u>2,940</u>	<u>3,219</u>
CONTRIBUTION TO COLLEGES' FUND		<u>(41)</u>	<u>(129)</u>
CAPITAL TRANSACTIONS			
Receipts from sales of Endowment investments	9a	14,558	16,841
Receipts from Abbey loan	12	15,000	-
Reduction in inflation-linked amount due to HSBC		785	-
Donations		<u>2,392</u>	<u>3,358</u>
Total capital receipts		<u>32,735</u>	<u>20,211</u>
Payments to improve operational assets	8	(7,562)	(5,365)
Payments to acquire Endowment investments	9a	(9,379)	(15,759)
Payments to acquire inflation swap investments	9b	<u>(15,319)</u>	<u>-</u>
Total capital payments		<u>(32,260)</u>	<u>(21,124)</u>
Net inflow/(outflow) from capital transactions		<u>475</u>	<u>(925)</u>
NET INFLOW/(OUTFLOW)		421	(426)
Net liquid funds at start of year		<u>1,323</u>	<u>1,749</u>
Net liquid funds at end of year		<u>1,744</u>	<u>1,323</u>

CLARE COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

1 ACADEMIC FEES	2009	2008
	£'000	£'000
Fee income paid on behalf of undergraduates eligible for student support: per capita fee £3,744 (2008: £3,456)	1,557	1,487
Other undergraduate fee income: per capita fee £5,305 (2008:£4,385)	196	159
Graduate fee income: per capita fee £2,127 (2008: £2,073)	397	368
Other	<u>4</u>	<u>11</u>
Total	<u>2,154</u>	<u>2,025</u>

2 INCOME FROM RESIDENCES, CATERING AND CONFERENCES

Accommodation: College members	2,103	1,830
Conferences	611	517
Catering: College members	727	673
Conferences	<u>752</u>	<u>644</u>
Total	<u>4,193</u>	<u>3,664</u>

3a TOTAL RETURN ON MAIN ENDOWMENT

	Income from restricted funds	Income from unrestricted funds	2009 Total	2008 Total
	£'000	£'000	£'000	£'000
Actual income from:				
Property investments	639	232	871	1,064
Quoted securities – equities	604	220	824	773
Quoted securities – fixed interest	503	182	685	410
Cash deposits	<u>205</u>	<u>74</u>	<u>279</u>	<u>972</u>
Total Endowment income	1,951	708	2,659	3,219
Gains/(losses) on Endowment assets:				
Property investments	(3,135)	(892)	(4,027)	(1,862)
Quoted securities – equities	(4,086)	(1,163)	(5,249)	(3,989)
Quoted securities – fixed interest	(1,098)	(312)	(1,410)	(930)
Cash deposits (currency variations)	<u>988</u>	<u>281</u>	<u>1,269</u>	<u>133</u>
Total gains/(losses)	<u>(7,331)</u>	<u>(2,086)</u>	<u>(9,417)</u>	<u>(6,648)</u>
Total Return			<u>(6,758)</u>	<u>(3,429)</u>

(continued on next page)

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

3a TOTAL RETURN ON MAIN ENDOWMENT (continued)	2009	2008
	£'000	£'000
Endowment drawdown included in Income & Expenditure Account	3,382	2,999
Surplus/(deficiency) on Total Return included in Statement of Total Recognised Gains & Losses	<u>(10,140)</u>	<u>(6,428)</u>
Total Return on Main Endowment	<u>(6,758)</u>	<u>(3,429)</u>

The Endowment is 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 14.

Investment management costs amounted to £54,000 (2008: £76,000).

3b TOTAL RETURN ON INFLATION SWAP INVESTMENTS	2009	2008
	£'000	£'000
Actual income from:		
Quoted securities – equities	84	-
Cash deposits	<u>197</u>	<u>-</u>
Total Investment Income	281	-
Gains on Investment assets:		
Quoted securities – equities	290	-
Cash deposits	<u>-</u>	<u>-</u>
Total gains	290	-
Inflation-linked amount due from HSBC (Note 12)	<u>785</u>	<u>-</u>
Total Return	<u>1,356</u>	<u>-</u>
Endowment drawdown included in Income & Expenditure Account to match the net interest costs and initial fees in respect of the 40 year loan and inflation swap (see Note 6)	242	-
Surplus on Total Return included in Statement of Total Recognised Gains & Losses	<u>1,114</u>	<u>-</u>
Total Return on Inflation Swap Contracts	<u>1,356</u>	<u>-</u>

The Inflation Swap Contracts 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 a specific drawdown is released to the Income and Expenditure Account. The only drawdown permitted under the terms of the inflation swap is the amount to match the interest and fees related to the 40 year loan and inflation swap. The remaining balance of the Total Return, after deducting the specific drawdown, is accumulated within the reserves, as set out in Note 14.

Investment management costs amounted to £7,000 (2008: nil)

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

4 EDUCATION EXPENDITURE	2009	2008
	£'000	£'000
Teaching	1,981	1,846
Tutorial	660	615
Admissions	323	285
Research	318	286
Scholarships and awards	546	455
Other educational facilities	<u>125</u>	<u>100</u>
Total	<u>3,953</u>	<u>3,587</u>

Expenditure on Scholarships and Awards includes £273,000 (2008 : £226,000) relating to student support from bursaries and hardship funds.

5 RESIDENCES, CATERING AND CONFERENCES EXPENDITURE

Accommodation:	College members	2,442	2,237
	Conferences	805	717
Catering:	College members	1,018	951
	Conferences	<u>483</u>	<u>432</u>
Total		<u>4,748</u>	<u>4,337</u>

6 INTEREST AND FEES ON INFLATION SWAP

Interest paid to HSBC	116	-
Interest paid to Abbey	<u>485</u>	<u>-</u>
	601	-
Interest received from HSBC	<u>485</u>	<u>-</u>
	116	-
Initial fees on loan and inflation swap	<u>126</u>	<u>-</u>
Total	<u>242</u>	<u>-</u>

The total interest and fees are matched by the Endowment drawdown as set out in Note 3b.

Interest paid to Abbey and to/from HSBC is calculated on the £15 million loan and inflation swap repayable in 2048, as set out in Note 12.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

7 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs (note 17) £'000	Other expenses £'000	Depreciation £'000	2009 Total £'000	2008 Total £'000
Education (note 4)	1,989	1,836	127	3,953	3,587
Residences, catering and conferences (note 5)	2,279	1,618	852	4,748	4,337
Other expenditure	<u>211</u>	<u>941</u>	<u>-</u>	<u>1,152</u>	<u>844</u>
	<u>4,479</u>	<u>4,395</u>	<u>979</u>	<u>9,853</u>	<u>8,768</u>

The costs of fundraising were £366,000 (2008: £303,000) which includes the cost of alumni relations.

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Furniture, fittings and equipment £'000	2009 Total £'000	2008 Total £'000
COST				
As at 1 July 2008	25,123	2,006	27,129	21,776
Additions and improvements at cost	6,983	579	7,562	5,365
Disposals at cost	<u>-</u>	<u>39</u>	<u>39</u>	<u>12</u>
Cost as at 30 June 2009	<u>32,106</u>	<u>2,546</u>	<u>34,652</u>	<u>27,129</u>
DEPRECIATION				
As at 1 July 2008	6,308	791	7,099	6,243
Charge for the year	733	246	979	865
Depreciation on disposals	<u>-</u>	<u>37</u>	<u>37</u>	<u>9</u>
Depreciation as at 30 June 2009	<u>7,041</u>	<u>1,000</u>	<u>8,041</u>	<u>7,099</u>
NET BOOK VALUE				
as at 30 June 2009	<u>25,065</u>	<u>1,546</u>	<u>26,611</u>	
as at 30 June 2008	<u>18,815</u>	<u>1,215</u>	<u>20,030</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 2009 was £116 million (2008: £117 million).

The Abbey loan, as set out in Note 12, is secured against certain outlying properties with a market value of £24 million as at October 2008.

Lerner Court was completed in December 2008 and is depreciated from the date of completion.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

9a MAIN ENDOWMENT INVESTMENTS

	Securities and Cash	Property	2009	2008
	£'000	£'000	£'000	£'000
Market value at 1 July 2008	49,174	16,841	66,015	73,858
Acquisitions at cost	8,729	650	9,379	15,759
Proceeds on disposal	(12,861)	(1,697)	(14,558)	(16,954)
Realised (loss)/gain on disposal	(1,252)	(106)	(1,358)	292
Net loss on revaluation at 30 June 2009	<u>(4,138)</u>	<u>(3,921)</u>	<u>(8,059)</u>	<u>(6,940)</u>
Market value at 30 June 2009	<u>39,652</u>	<u>11,767</u>	<u>51,419</u>	<u>66,015</u>
Represented by:				
Property investments			11,767	16,841
Quoted securities - equities			25,804	26,535
Quoted securities - fixed interest			8,416	9,766
Unquoted securities - equities			498	429
Cash held for reinvestment			<u>4,934</u>	<u>12,444</u>
Total			<u>51,419</u>	<u>66,015</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 2009 is £28,000 (2008:£28,000).

9b INFLATION SWAP INVESTMENTS

	Securities	Cash	2009	2008
	£'000	£'000	£'000	£'000
Market value at 1 July 2008	-	-	-	-
Acquisitions at cost	7,920	7,399	15,319	-
Add: net gain on revaluation at 30 June 2009	<u>309</u>	<u>(19)</u>	<u>290</u>	<u>-</u>
Market value at 30 June 2009	<u>8,229</u>	<u>7,380</u>	<u>15,609</u>	<u>-</u>
Represented by:				
Quoted securities – equities			8,229	-
Cash held for reinvestment			<u>7,380</u>	<u>-</u>
Total			<u>15,609</u>	<u>-</u>

The inflation swap investments are secured against the inflation-linked liability payable to HSBC in 2048, as set out in Note 12.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

10 DEBTORS	2009	2008
	£'000	£'000
Loans	97	112
Inflation-linked amount due from HSBC	785	-
Other debtors	<u>866</u>	<u>1,049</u>
	<u>1,748</u>	<u>1,161</u>

The amount due from HSBC reflects the deflationary impact on the inflation swap, as set out in Note 12.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Social Security and other taxation payable	107	91
Creditors	<u>2,296</u>	<u>2,290</u>
	<u>2,403</u>	<u>2,381</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Loan repayable in 2048 to Abbey	<u>15,000</u>	<u>-</u>
---------------------------------	---------------	----------

In October 2008 the College entered into a contract with Abbey National Treasury Services Plc to borrow £15 million at 4.4% interest 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 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 Abbey.

At 30 June 2009 the value of the investments was £15,609,000 and the liabilities to Abbey and HSBC totalled £14,215,000 reflecting the deflationary impact since October 2008. The reduction of £785,000 in the inflation-linked liability during the year is shown as a surplus on Total Return as set out in Note 3b and included in Debtors in Note 10.

CLARE COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

13 CAPITAL AND RESERVES

	Expendable capital funds £'000	Permanent capital funds £'000	2009 Total £'000	2008 Total £'000
Restricted funds				
Trust funds (held for collegiate purposes)	20,307	16,142	36,449	43,759
Deferred capital funds:Lerner Court	<u>6,522</u>	<u>-</u>	<u>6,522</u>	<u>5,784</u>
	26,829	16,142	42,971	49,543
Unrestricted funds				
Designated funds	17,891	-	17,891	15,182
Undesignated funds:				
General capital	9,564	-	9,564	12,126
Permanent capital	<u>-</u>	<u>9,654</u>	<u>9,654</u>	<u>9,654</u>
	<u>54,284</u>	<u>25,796</u>	<u>80,080</u>	<u>86,505</u>

The Capital and Reserves are invested in the following categories of assets:

	Fixed Assets £'000	Investments £'000	Net Current Assets £'000	40 Year Loan £'000	Total £'000
Restricted funds					
Expendable capital	-	26,829	-	-	26,829
Permanent capital	-	16,142	-	-	16,142
Unrestricted funds					
Designated, expendable capital	8,049	24,057	785	(15,000)	17,891
Expendable capital	8,908	-	656	-	9,564
Permanent capital	<u>9,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,654</u>
Total at end of year	<u>26,611</u>	<u>67,028</u>	<u>1,441</u>	<u>(15,000)</u>	<u>80,080</u>
Total at start of year	<u>20,030</u>	<u>66,015</u>	<u>460</u>	<u>-</u>	<u>86,505</u>

14 TOTAL RETURN RESERVES

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

	Main Endowment £'000	Inflation Swap Investments £'000	2009 Total £'000	2008 Total £'000
Total at start of year	16,675	-	16,675	23,103
Total Return for year (Note 3)	(6,758)	1,356	(5,402)	(3,429)
Endowment drawdown	<u>(3,382)</u>	<u>(242)</u>	<u>(3,624)</u>	<u>(2,999)</u>
Total at end of year	<u>6,535</u>	<u>1,114</u>	<u>7,649</u>	<u>16,675</u>

CLARE COLLEGE, CAMBRIDGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009

15 MOVEMENTS IN CAPITAL AND RESERVES

	Balance at start of year	Movement in year		Balance at end of year
		Increase	Reduction	
	£'000	£'000	£'000	£'000
Restricted funds				
Expendable capital	31,013	-	4,184	26,829
Permanent capital	<u>18,530</u>	<u>-</u>	<u>2,388</u>	<u>16,142</u>
	49,543	-	6,572	42,971
Unrestricted funds				
Designated, expendable capital	15,182	2,709	-	17,891
Expendable capital	12,126	-	2,562	9,564
Permanent capital	<u>9,654</u>	<u>-</u>	<u>-</u>	<u>9,654</u>
	36,962	2,709	2,562	37,109
	<u>86,505</u>	<u>2,709</u>	<u>9,134</u>	<u>80,080</u>

16 ANALYSIS OF RESTRICTED AND DESIGNATED UNRESTRICTED FUNDS

	Restricted funds	Designated Unrestricted funds	2009 Total	2008 Total
	£'000	£'000	£'000	£'000
Fellowships Funds	9,749	-	9,749	12,960
Scholarships Funds	11,637	-	11,637	13,601
Prize Funds	910	-	910	1,024
Bursary and Hardship Funds	5,284	-	5,284	5,999
Travel Grants Funds	453	-	453	502
Lerner Court Fund	6,522	-	6,522	5,784
Building Renewals Fund	4,401	15,038	19,439	18,594
2048 Investment Fund	-	1,114	1,114	-
Other Funds	<u>4,015</u>	<u>1,739</u>	<u>5,754</u>	<u>6,261</u>
Total	<u>42,971</u>	<u>17,891</u>	<u>60,862</u>	<u>64,725</u>

The investment gains/losses on the Endowment are apportioned to all the relevant restricted and unrestricted funds.

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

17 STAFF

	College Fellows	Non- Academic	2009 Total	2008 Total
	£'000	£'000	£'000	£'000
Staff costs:				
Emoluments	1,132	2,764	3,896	3,473
Social security costs	64	241	305	279
Other pension costs (see note 20)	<u>77</u>	<u>201</u>	<u>278</u>	<u>251</u>
	<u>1,273</u>	<u>3,206</u>	<u>4,479</u>	<u>4,003</u>
Average numbers:				
College Fellows who are also members of the Governing Body, of whom 58 were remunerated (2008: 57)			89	84
Non-academic staff: full time equivalents			124	117

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

18 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 (£2.7 million in 2009) 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 (£40,000 in 2009) and provides sporting and social facilities to students.

19 CAPITAL AND OTHER COMMITMENTS

	2009	2008
	£'000	£'000
Lerner Court building authorised and contracted	-	4,052
Castle End refurbishment authorised but not contracted	-	2,950

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

20 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 £278,000 (2008: £251,000). The contribution rate payable by the College was 14% of pensionable salaries for the USS (£77,000 in 2009) and 11.3% for the College's defined contribution scheme (£201,000 in 2009).

The latest actuarial valuation of the USS was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The 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 (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increase in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the market value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increase in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions)

CLARE COLLEGE, CAMBRIDGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

20 PENSION SCHEMES (continued)

giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

The College contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the College contribution rate to 16% of pensionable salaries from 1 October 2009.

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 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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. USS has over 130,000 active members and the College has 20 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.