

ANNUAL REPORT AND  
FINANCIAL STATEMENTS

2012



FITZWILLIAM COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

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## REFERENCE AND ADMINISTRATIVE DETAILS

Fitzwilliam College

Storey's Way  
Cambridge  
CB3 0DG

Charity Registration number: 1137496

Charity Trustees (Members of the Governing Body):

Members of the Governing Body receive no remuneration for acting in that capacity.  
However remuneration is paid to those members holding specific positions as College officers.

*Members of the Governing Body during the year were as follows:*

Master: Professor R D Lethbridge\*  
Bursar: Mr R A Powell\*  
Senior Tutor: Dr P A Chirico\*

Other Members:

Professor N K H Slater*	Dr A E H Wheatley
Dr J R A Cleaver*	Dr K Saeb-Parsy
Dr G G Pooley (retired 30/09/11)	Dr J I Alcantara
Professor G I Davies (retired 30/09/11)	Professor D M Glover
Dr W Allison	Dr M J Arends
Dr A Clark	Dr S S Owen
Professor M D Potter*	Dr A S Tavernor*
Dr D M Scott	Dr P J Rentfrow*
Professor R J A Hooley	Dr D P Nally*
Mrs N M Padfield*	Dr S J Gathercole
Dr D J Cole	Dr N Bukhari
Professor D A Cardwell	Dr M B Wingate
Dr R E Horrox*	Ms M C Young*
Dr J D Leigh	Dr N MacSweeney (resigned 30/09/11)
Professor K M Brindle	Dr J Tankebe (resigned 30/09/11)
Dr K W Platts	Dr A Y Chau
Dr D Keown	Dr I Reid (retired 30/09/11)
Dr M J S Holly*	Dr J L G Chamarette (resigned 31/12/11)
Dr B Vira*	Dr C L Crouch (resigned 30/09/11)
Professor R S Langley	Dr J M Cullen
Dr R E Anson	Dr S K Larsen
Dr I Moller	Mr F Knights
Professor R P Haining	Dr C Nic Dhaibheid
Professor E Mastorakos	DR J K Aitken
Dr D A Coomes	Dr H C Canuto
Professor M J Millett*	Mrs A M Watson (appointed 01/09/11)
Dr R D Camina*	Dr H Bettinson (appointed 01/10/11)
Dr A G Kovalev	Dr P S E Zu Ermgassen (appointed 01/10/11)
Dr D R E Abayasekara*	Dr X J Loh (appointed 01/10/11)
Dr J A Elliott	Dr A Jardine (appointed 23/11/11)

\*Also served on the College Committee.

## REFERENCE AND ADMINISTRATIVE DETAILS

(Continued)

### *Senior officers*

Master: Professor R D Lethbridge  
Senior Tutor: Dr P A Chirico  
Senior Bursar: Mr R A Powell

### Principal advisers

#### *Auditors*

Peters Elworthy & Moore  
Chartered Accountants and Statutory Auditors  
Salisbury House  
Station Road  
Cambridge  
CB1 2LA

#### *Bankers*

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

#### *Property Managers*

Bidwells  
Trumpington Road  
Cambridge  
CB2 9LD

#### *Investment Managers*

Sarasin & Partners LLP  
Juxon House  
100 St. Paul's Churchyard  
London  
EC4M 8BU

#### *Legal Advisers*

Hewitsons  
Shakespeare House  
42 Newmarket Road  
Cambridge  
CB5 8EP

## ORGANISATION AND GOVERNANCE

The following statement is provided by the Trustees to enable readers of the financial statements to obtain a better understanding of the arrangements in the College for the management of its resources and for audit.

Fitzwilliam College is an independent College of the University of Cambridge and was formed under Royal Charter granted on 9 September 1966.

Having previously held exempt charitable status, the College became a Registered Charity (registered number 1137496) subject to regulation by the Charity Commission for England and Wales, on 16<sup>th</sup> August 2010.

The Fellows of the College comprise the Governing Body, which is responsible for the government of the College in accordance with its Statutes. The Fellows are the Trustees of the Registered Charity and are responsible for ensuring compliance with charity law. New Fellows are made aware of their duties and responsibilities as Trustees as part of their induction to the College, including being provided with a copy of the Charity Commission document "The Essential Trustee".

The College has a policy for the registration and declaration of interests for the purpose of managing any conflicts that might arise in the conduct of the College's business. A register of interests is maintained and updated regularly. Declarations of interest are made systematically at meetings; at the discretion of the chair, members may be required to absent themselves from the meeting during discussion of the matter in respect of which they have an interest.

The members of the Governing Body during the year ended 31<sup>ST</sup> July 2012, including the senior officers, are listed on page 1.

### Corporate Governance

The College statutes require that at least one Ordinary College Meeting of the Governing Body be held in each University term and a Special College Meeting (called the Audit Meeting) takes place every year. At the Audit meeting the Governing Body reviews the Annual Report and Financial Statements and satisfies itself that they present a balanced and understandable assessment of the College's position and prospects. During the year the Governing Body met on eight occasions, including the Audit Meeting.

There is an internal Audit Committee made up of two elected members of the Governing Body, with the remit to report to the Governing Body on the Annual Accounts of the College and any matters arising therefrom, including strategic issues, management of the College and its finances, and the content of the Bursar's Report on the Accounts. The members of the Audit Committee meet with the external auditors and have full independent access to them. The Audit Committee is also responsible for advising the Governing Body on the adequacy of the College's risk management arrangements.

The Governing Body has delegated some duties to the College Committee so that it can control key issues and monitor the overall performance of the College. The Governing Body decides on organisational strategy and authority is delegated to the College Officers for implementing that strategy and for managing the College.

It is the duty of the College Committee to keep under review the effectiveness of the College's internal systems of financial and other controls, to advise the Governing Body on the appointment of auditors, to monitor the implementation of recommendations made by the auditors, and to approve the Bursar's annual report to the Governing Body.

The College Committee is chaired by the Master, and its membership comprises the President, the Senior Tutor, the Bursar, the Secretary of the Governing Body and 7 Fellows elected to serve for 2 years at a time.

The work of the Governing Body and the College Committee is supported and informed by a number of Committees, the most important of which are the Education Committee, the Tutorial Committee, the Investment Advisory Committee, the Estates Committee and the Development Committee.

## ORGANISATION AND GOVERNANCE (continued)

### Principal Policies

#### *Risk Management*

Major corporate risks are identified by the Governing Body and responsibility for their management is passed to nominated risk owners under the oversight of the appropriate College committee. The Audit Committee reports annually to the Governing Body on the management of risks. The major risks (prior to mitigation) identified by the Governing Body relate to the governance of the College, the employment and performance of academic staff, and maintaining the real value of the College's endowment.

The College has a strong system of financial and management controls. The financial cycle begins with the approval by the Governing Body of the annual budget. Monthly management accounts, incorporating budget comparisons and forecasts are prepared and are scrutinised by the College Committee, which also reviews five-year projections. Budget responsibility is devolved to heads of department, and the Bursar undertakes regular reviews of performance at this level.

#### *Investment*

In view of the relatively small endowment of Fitzwilliam College, a highly prudential approach is taken towards investment. The investment objective is to protect the real value of the capital base and the income generated from it.

The investment policy is focussed on producing a total return that is consistent with being able to meet a cash withdrawal requirement over a stock market cycle expressed as 4% of the value of the stock market portfolio. The amount is reviewed annually by the Investment Advisory Committee. The Investment Advisory Committee has signalled that the College is income conscious and anticipates that two thirds or more of the annual cash withdrawal requirement will be produced by income generated from the portfolio.

The College's investment managers have been appointed within the terms of a discretionary portfolio management agreement. Investment performance is assessed against a standard asset allocation structure which is anticipated to meet the overall investment objective, including the necessary income generation.

The College adheres to Charity Commission guidance on ethical investments, and the Investment Advisory Committee may from time to time, where it is consistent with that advice, direct the investment managers not to invest in specific companies. Such companies shall include tobacco companies, arms companies trading with terrorists or with countries with which the UK government does not permit them to trade and those dependant upon pornography or child labour.

#### *Employment*

The College consults with its non-academic staff through staff team meetings, Head of Department meetings and an annual all-staff meeting held by the Bursar. Training needs are identified on an individual basis through regular appraisals and are addressed through both external and internal provision. The College is committed to the principle and practice of equal opportunities and aims to be an equal opportunities employer.

Employees of the College are offered the opportunity to join the Universities Superannuation Scheme (USS). Since the closure of the Fitzwilliam College Assistant Staff Superannuation scheme to new contributions in 2004, members of the non academic staff have also been offered the opportunity to join USS upon completion of a satisfactory probationary period. There remains a significant number of current and former staff who have accrued benefits in the closed scheme.

#### *Environmental Management*

Fitzwilliam College has an active Environmental Committee, composed of students, Fellows and staff, working together to implement green initiatives and increase awareness of environmental issues.

The College signed the Cambridge Climate Change Charter in November 2008 and has put in place an Environmental Action Plan covering energy efficiency, carbon emissions, water consumption, waste management and minimisation, purchasing, transport, chemical pollutants and new developments and construction. The Fairtrade Foundation has certified Fitzwilliam as a Fairtrade College since June 2009.

The College is a member of the Cambridge Colleges' CRC Consortium through which the Colleges work together to meet their obligations under the Government's CRC Energy Efficiency scheme.

## ANNUAL REPORT OF THE GOVERNING BODY

### Introduction

Fitzwilliam College has its origin in the Non-Collegiate Students Board, established by the University in 1869; subsequently the name "Fitzwilliam Hall" was adopted, later changed to "Fitzwilliam House". In 1966 Fitzwilliam became a full College by Royal Charter, an event which coincided with the move from the original premises in Trumpington Street, to the present site between Huntingdon Road and Storey's Way.

Fitzwilliam today is one of the larger Colleges in the University, comprising over 450 Undergraduate students, nearly 300 graduate students, 57 Fellows and over 100 staff. The incorporation of "The Grove" into the College in 1988 enabled the effective completion of new development on the College site, culminating in the opening of the new Library in 2010.

In 2009 the College adopted a medium term plan, aimed at determining priorities and providing a framework for operation through to 2019. This plan is regularly reviewed both to ensure that its framework accommodates changing external imperatives and to measure progress towards specific targets.

### Aims and objectives of the College

The principal charitable objectives of the College, set out in the College's Charter and application for Charity registration, are:

- (a) To advance education, religion, learning and research in the University.
- (b) To provide a College wherein members of the University may work for Degrees in the University or may carry out postgraduate or other special studies at Cambridge.

### Academic Review

For the academic year 2011/12 the student body comprised approximately 476 undergraduates and 282 postgraduate students, including those 'writing up'. Directors of Studies in 31 subject areas organised academic supervision by 943 specialists for our undergraduates. Undergraduate examination results in each Cambridge College are ranked in a publicly available form as the Tompkins Table, in which Fitzwilliam College rose this year to 19th position. Fitzwilliam undergraduates achieved the highest results ever recorded in absolute terms by the College, including 103 Firsts (of which four were starred Firsts).

Postgraduate student numbers have continued to grow and made up 37% of the student population during the year. Of these 102 students of the College studied on Masters courses and 173 on research towards PhDs; during the year 31 doctoral dissertations by Fitzwilliam students were approved for the award of PhD degrees.

The College funded two stipendiary and three non-stipendiary Research Fellows during the year, supporting them in diverse projects at an early stage in their academic career. These research opportunities are very successful in fostering academic careers which will flourish over the coming decades, as can be seen from the success of two of our 2011/12 Research Fellows in securing permanent academic positions.

In 2011/12 the College directly employed six College Teaching Officers, each of whom took a major teaching role and a leading responsibility for the academic development of undergraduates in their subject, while also developing their own academic research, supported through a research fund and an entitlement to sabbatical leave.

The senior membership of the College included the Heads of three University Departments: Professor Nigel Slater (Chemical Engineering), Professor Martin Millett (Classics) and Professor Ieuan Hughes (Paediatrics). Other Fellows were promoted during the course of the year: Michael Potter became Professor of Logic in the Philosophy Faculty, James Elliott a University Reader in Materials Science and Metallurgy, Nicky Padfield a University Reader in Law and David Nally a Senior Lecturer in the Department of Geography. Professor Kevin Brindle was elected to the Fellowship of the Academy of Medical Sciences.

Pastoral support and general academic and personal guidance continued to be offered to all students by the College's dedicated team of Tutors supported by others including the Chaplain, Nurse, Porters and trained student peer supporters. Facilities and financial support have been provided for a wide range of extra-curricular activities, including for example sporting fixtures, dramatic performances and around 40 musical events, which were open to the public.

## ANNUAL REPORT OF THE GOVERNING BODY (continued)

### Access and Public Benefit

At a time of major changes to the Higher Education funding arrangements the College has worked particularly hard to ensure that the benefits of the education we provide are understood to be open to talented applicants from every background. We have continued, and further developed, an extensive programme of open days, school visits, teacher conferences, shadowing schemes and other initiatives, led by our full time Schools Liaison Officer in conjunction with junior and senior members and alumni of the College. Admissions Tutors, Directors of Studies and a large team of interviewers, sought to identify those with the strongest academic potential from a large and diverse field of candidates in August, December and January.

The College provides through a scheme operated in common with the University, other Colleges and the Isaac Newton Trust, bursary support for undergraduates of limited financial means. The scheme is approved by the Office of Fair Access and provides benefits at a substantially higher level than the minimum OFFA requirement. For the academic year 2011/12:

- 104 awards were made (2010/11: 119), out of a home/EU undergraduate population of 384,
- 54 of the awards were at the maximum value of £3,400, and the average value of the awards was £2,271 (2010/11: £2,139).

Additionally:

- 108 (2010/11: 117) College maintenance bursaries, averaging £361 (2010/11: £291), were awarded to undergraduates,
- 26 College maintenance bursaries were awarded to postgraduate students in need of additional financial support (2010/11: 31), averaging £481 (2010/11: £435).

The College has remained active in securing substantial new funding from alumni and others to meet the needs of present-day students, addressing issues of hardship while providing opportunity funds to enable engagement in all areas of university life, academic and extra-curricular.

We have once again welcomed a wide range of visitors during the year, to lectures, conferences, concert programmes and music events, and open days. A team of undergraduates volunteered to mentor students from Chesterton Community College in exploring the nearby Ascension Burial Ground and researching the lives of twelve people buried there, in preparation for a devised drama performance which took place in May in the College auditorium.

### Development of College facilities

The College is in the fortunate position of being able to accommodate all of its undergraduates in College-owned accommodation, and all who so wish can be housed on the College site. However the graduate population continues to expand and a review was therefore undertaken during 2010/11 of the College's medium term accommodation needs. The resulting plan recognises the need both to upgrade some of the existing housing stock and to expand by some 20 units. Some progress was made during the year with the provision of five new study/bedrooms for graduates at 139 Huntingdon Road, and the conversion of existing property to provide seven new units for couples.

The completion of the Library and IT Centre, opened in 2010, marked the effective completion of the College site, the construction of New Court, the Chapel, Wilson Court, the Auditorium and Gatehouse Court having provided a range of high quality new buildings. However the original buildings, constructed in the early 1960's, are now coming to the point where they require significant refurbishment. A scheme has been approved for the refurbishment of the Central Building designed to bring the Hall and surrounding facilities up to the most efficient standards without adversely affecting the essential identity of this classic 1960's building. The scheme will proceed in up to four phases depending on funding availability, with the aim of completing the first three phases by the 50<sup>th</sup> anniversary of the College's Royal Charter in 2016. The first phase, which is funded and for which planning permission is held, will be the construction in 2013 of an extension which allow lift and stair access from the kitchens to the first floor, and provide a finishing kitchen to serve the first floor meeting rooms.

During the current year work will continue on plans for refurbishing the accommodation in Tree Court and Fellows' Court.



## ANNUAL REPORT OF THE GOVERNING BODY (continued)

### Development of College facilities (continued)

The College employs its own maintenance team which, supported by external contractors, is equipped to undertake routine maintenance and refurbishment work, to ensure that the main fabric of the buildings is maintained in a sound condition. Major projects are contracted to competent suppliers operating under the direction of professional project managers overseen by the Bursar and the Estates Committee.

### Financial Review

The financial statements represent the activities of the College itself and its two wholly owned operating subsidiaries - Fitzwilliam College Services Ltd, which provides conference management services, and Kawakawa Bay Ltd which provides launderette services.

#### *Funding*

The income of the College is made up of academic fees, charges to students for accommodation, meals and other services, together with any surplus from conference activity and the income from the College's investment assets. In addition the College receives grants from the Colleges' Committee, financial support from other Colleges and Trusts within the University of Cambridge, and donations which may be restricted in accordance with the expressed wish of the donors or unrestricted. Unrestricted donations are treated as income.

#### *Income and cost trends*

The College made a small deficit for the year of £16k (2011: surplus of £32k), after charging an exceptional write-off of work relating to a discontinued project and depreciation of £0.78 million (2011: £0.76 million). This was a better outcome than budgeted, with measures initiated by the review of costs and income conducted by the Governing Body in 2010 contributing to the result for the year. Income grew by just 1.3% which is not too disappointing given that the previous year was a record year for conference income and included an exceptional receipt in the endowment account. Overall expenditure growth was well controlled at 1.8%. Staff costs (including academic stipends), which represent 44% of total expenditure, grew by 1.75%. The deficit was struck after taking account of bank interest costs of £492k, but also relied upon unrestricted donations of £92k.

In the year under review, academic fees and charges amounted to £2.47 million (2011: £2.39 million) and academic expenditure to £3.14 million (2011: £3.03 million). The deficit of £0.67 million (2011: £0.64 million) in respect of academic activity was met from endowment and other income. Student numbers were 2.7% higher than in the previous year, driven by a further rise in the number of full time graduates. The College has continued to receive funding support from Trinity College, the Isaac Newton Trust and The Leathersellers' Company for its teaching activities during the year for which it is most grateful.

Income from rents, catering and conference activity was £4.43m (2011: 4.34m) and costs were £4.43m (2011: 4.44m) with a resulting deficit of just £7k (2011: £0.10m). Rental income was boosted by the further expansion of student accommodation. Conference income, which helps to mitigate the overhead costs of providing the College infrastructure and thus reduce the costs to students, fell slightly from the high point achieved in 2010/11 but remained a considerable achievement given the uncertainty in the wider economic outlook. Good progress has also been made in reducing the large deficit on the College Members' catering account.

Endowment and investment income at £1.16 million was 4% lower than in 2011. Income from land and buildings was affected by renegotiations of lease agreements on the College's two commercial properties, which resulted in a premium payment which boosted income in 2010/11, and reduced rental income in 2011/12. The stock-market portfolio was boosted by donations received in the previous year, as well as investment decisions taken during the year.

#### *Maintenance of buildings and capital expenditure*

Expenditure on maintenance of College buildings was £481k during the year, and capital expenditure on improvements was a further £464k, well within the level of cash generation. Because of the extent of relatively new buildings and the programme of maintenance undertaken over recent years this level of expenditure is considered sufficient to maintain the value of the College estate, whilst noting that expenditure will need to increase as refurbishment plans for the older buildings on the main College site are developed.

## ANNUAL REPORT OF THE GOVERNING BODY (continued)

### Financial Review (continued)

#### *Endowment and investment performance*

The total return on investments fell to a disappointing 2.43% (2011: 6.73%), which compares with RPI growth of 3.15% over the same period. Returns in the property portfolio held up well at 6.22%. However returns on equities were only 0.75% as dividend yields were offset by falls in market valuations.

The pattern of stock-market returns was very different to the previous year. Equity markets posted only marginally positive returns in the UK at +0.4% and globally at +2.0%. Sterling government bonds produced substantially higher returns than equities with a return of +14.6% for the 12 month period.

The second half of 2011 saw an exceptional period of volatility in domestic and international markets. As a result it was decided to move a portion of the College's stock-market holdings into low risk assets, and to adopt a policy of holding sufficient cash reserves to meet foreseeable medium term expenditure needs without the need to realise investments. A formal Investment Management review was undertaken during the year, in line with the terms of the agreement and Sarasin & Partners LLP were reappointed for a further term.

In May 2012 the tenant of the College's investment property in Portsmouth, Clinton Cards (Essex) Ltd along with its parent company Clinton Cards Ltd went into administration. The business continued to trade and a short rental holiday was given to allow the business to be sold as a going concern. This was achieved and the lease was assigned to the buyer, AG Retail Cards Ltd (part of the American Greetings Group) at a reduced rent from 1<sup>st</sup> August. Despite the reduction in rental income the new rent is considered to be fair in the current market, and the College is pleased to have achieved this with such a short rent void. The valuation was written down in the previous year to reflect market conditions.

#### *Reserves and Financing*

The endowment comprises restricted funds, which may only be used for purposes specified by the donors, and unrestricted funds from which the College can use the income, but not the capital, for general expenditure. Despite another excellent year for donations, the adjustments necessary to transfer library donations and the effect of market movements on asset valuations have resulted in the College's endowment shrinking slightly from £42.5m to £42.3m. We were very grateful to receive a further contribution of £0.3 million from the Colleges' Fund, which has gifted over £10m to the College's endowment since the College was founded, and played a central part in making Fitzwilliam the place it is today. However Fitzwilliam still has one of the smallest endowments among the Cambridge Colleges, and needs to continue to grow its reserves in order to provide assurance that it has sufficient resources to be able to ensure its academic mission in the long term.

Reserves, which are available to meet general expenditure needs, have increased slightly from £10.9m to 11.0m.

In 2008 the College took out a long term loan intended to assist in the financing of construction projects and the management of its long term investment. The loan was initially used to fund completion of the Library, and new student accommodation, with the balance being invested to defray interest costs. The College has given certain general and financial covenants in connection with this loan, which have been met at all relevant times during the year.

### **The Appeal**

The College's 150th Anniversary Campaign was launched in September 2008, with a target to raise £20 million by 2019. The College is delighted to report that during the year donations of £1.53 million were received, including two large legacies. The total for the appeal to the end of the 2011/12 financial year stands at £9.1 million. The generosity of our donors enables Fitzwilliam to offer its students a high standard of teaching, support and amenities.

In addition to several large single donations, the College is very grateful to the many alumni, and friends, who contribute regularly. Fitzwilliam's fourth telephone campaign was the most successful yet: more than half the 1629 alumni called made a donation and, during the two-week campaign in March, over £0.15 million was pledged (2011: £0.14 million). This provides a much appreciated income stream that is used to support students through the Student Opportunities Fund, and also the College's Teaching Fund.

Allowing for the extraordinary impact of two very large gifts in 2011 the underlying trend in fundraising is encouraging. Participation among alumni continues to rise, resulting in increasing year on year totals from both one-off gifts and regular donations.

## ANNUAL REPORT OF THE GOVERNING BODY (continued)

### Looking ahead

With improving academic results, a satisfactory financial outcome and clear plans emerging for the next phase of the College's development, Fitzwilliam has good cause to be pleased with its progress over the last year. This is important as the external environment remains uncertain and challenging.

In last year's Annual Report we highlighted the challenges presented by the Government's review of Higher Education and the consequences for the collegiate University. At this early stage it does not appear that the introduction of the £9,000 tuition fee for Home/EU undergraduates has depressed overall applications (as had initially been feared). However the full consequences of the changes for student behaviour are yet to be seen and it seems certain that we must plan for a future in which the publicly funded element of fee income progressively lags the costs of education.

These trends affect our postgraduate population as well. The College plan assumes that it will maintain a student body which is broadly consistent with the current mix of undergraduates and post graduates. That means that we have to generate the resources to support our postgraduate students whose needs are at least as great, and for whom there is generally less financial support available.

For these and other reasons inseparable from sustaining the College's core activities, its fundraising efforts will be an urgent priority in the years ahead. Philanthropic donations will be the essential compensatory income stream sustaining the educational experience offered by Fitzwilliam, at least until the College's Endowment Fund rises to the £100m mark (considered to be the minimum to allow any college to generate sufficient income to meet obligations encoded in its charitable status). This context will inform collective collegiate negotiations with the University, as the latter embarks on a new and wider fundraising campaign.

The challenges ahead are, in one sense, merely variations on those which the College has successfully met since the granting of its Royal Charter in 1966. Its modernity of outlook, its record of development over a mere fifty years, its exceptionally loyal former students and a committed and energetic Fellowship with a professional stake in Fitzwilliam's future allows us to be confident that we can continue to go from strength to strength.



R A Powell  
Bursar

Date: 21 November 2012



Prof R D Lethbridge  
Master

Date: 21 November 2012

## STATEMENT OF INTERNAL CONTROL

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policy, aims and objectives while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the College's Statutes.

The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The systems of internal control are designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place for the year ended 31 July 2012 and up to the date of approval of the financial statements.

The Governing Body is responsible for reviewing the effectiveness of the system of internal control.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the various Committees, Bursar, and College officers, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

## STATEMENT OF RESPONSIBILITIES OF THE GOVERNING BODY

The Governing Body is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The College's Statutes and the Statutes and Ordinances of the University of Cambridge require the Governing Body to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period. In preparing those financial statements the Governing Body is required to:

- Select suitable accounting policies and then 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;
- 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 accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements comply with the Statutes of the University of Cambridge. It is 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF FITZWILLIAM COLLEGE

We have audited the financial statements of the Fitzwilliam College for the year ended 31 July 2012 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Governing Body, as a body, in accordance with College's Statutes and the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to them in an auditors' 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 College and the College's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Governing Body's Responsibilities Statement set out on page 11, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial information in the Annual Report of the Governing Body to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Qualified opinion arising on non-compliance with FRS17

Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) requires disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. As explained in note 28 the College has not obtained and disclosed the necessary information for the year ended 31 July 2012 and it is therefore not possible to quantify the effect of this departure.

Except for the effect of not complying with FRS 17, in our opinion:

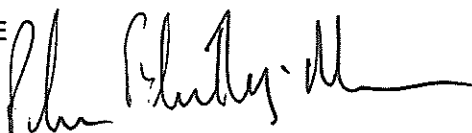
- the financial statements give a true and fair view of the state of the group's affairs as at 31 July 2012 and of the group's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Charities Act 2011, the College's Statutes and the Statutes of the University of Cambridge;
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G, II, of the University of Cambridge.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Governing Body's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**PETERS ELWORTHY & MOORE**  
Chartered Accountants and  
Statutory Auditors



CAMBRIDGE

Date: 18 December 2012

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2012

### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the Statutes of the College and of the University of Cambridge and applicable United Kingdom Accounting Standards. In addition, the financial statements comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (The SORP).

The income and expenditure account includes activity analysis in order to demonstrate that the College is satisfying its obligations to the University of Cambridge with regard to the use of public funds. The analysis required by the SORP is set out in note 9.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified in respect of the treatment of investments and certain operational properties which are included at valuation.

### **Basis of consolidation**

These financial statements consolidate the financial statements of the College and its two subsidiaries, Fitzwilliam College Services Limited and Kawakawa Bay Limited for the year ended 31 July 2012. The two companies are wholly owned subsidiaries of the College. Intra-group balances are eliminated on consolidation.

A separate balance sheet and related notes for the College only are not included because all profits of the subsidiaries are gift aided to the College and the balance sheet of the College would not be materially different to the one included in these accounts. Details of the subsidiary undertaking are given in note 29.

The consolidated financial statements do not include the activities of student societies as these are separate bodies in which the College has no financial interest and over whose policy decisions it has no control.

### **Recognition of income**

#### *Academic fees*

Academic fees are recognised in the period to which they relate and include all fees chargeable to students or their sponsors. The costs of any fees waived or written off by the College are included as expenditure.

#### *Restricted grant income*

Grants received for restricted purposes are recognised as income to the extent that relevant expenditure has been incurred.

#### *Donations and benefactions*

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor. Donations with no substantial restrictions are recognised as income in the income and expenditure account. Donations which are to be retained for the future benefit of the College, and other donations with substantially restricted purposes, other than for the acquisition or construction of tangible fixed assets, are recognised in the statement of total recognised gains and losses as new endowments.

#### *Capital grants and donations*

Grants and donations are received for the purposes of funding the acquisition and construction of tangible fixed assets. In the case of depreciable assets these are credited to deferred capital grants when the related capital expenditure is incurred and released to income over the estimated useful life of the respective assets in line with the depreciation policy. Grants and donations of, or for the acquisition of, freehold land or heritage assets, which are non-depreciable assets, are credited to the income and expenditure account in the year of acquisition.

#### *Other income*

Income is received from a range of activities including residences, catering conferences and other services rendered.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2012

### Recognition of income (continued)

#### *Endowment and investment income*

All investment income is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

### Endowment funds

Endowment funds are classified under three headings:

- Where the donor has specified that the fund is to be permanently invested to generate an income stream for the general purposes of the College, the fund is classified as an unrestricted permanent endowment.
- Where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied for a restricted purpose, the fund is classified as a restricted permanent endowment.
- Where the donor has specified a particular objective other than the acquisition or construction of tangible fixed assets, and that the College must or may convert the donated sum into income, the fund is classified as a restricted expendable endowment.

### Foreign currency translation

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

### Tangible fixed assets

#### a. Land and buildings

Freehold buildings within the College main site are stated at depreciated replacement cost ascertained as at 31 July 2003 plus subsequent additions at historical cost and are depreciated on a straight line basis over their expected useful economic life of 50 years. Freehold land is not depreciated.

External properties are included at valuation and due to the College's policy and practise of regular maintenance and repair no depreciation is charged on these properties on the grounds that it would be immaterial as their estimated residual values are not materially different from their carrying amounts in these financial statements. A professional valuation is carried out every 5 years and interim valuations are carried out by the Bursar. The bursar's valuation method uses the values as per the latest professional valuation and adds an annual revaluation adjustment reflecting specific market values as published by financial institutions.

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.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are valued at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

#### b. Maintenance of premises

The cost of major refurbishment is capitalised and depreciated over the expected useful economic life of the asset concerned. The cost of routine maintenance is charged to the Income and Expenditure account as it is incurred.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2012

### Tangible fixed assets (continued)

#### c. Furniture, fittings and equipment

Furniture, fittings and equipment are capitalised at cost. Depreciation is provided on a straight line basis over the expected useful life of the assets as follows:

Furniture, fittings and general equipment	10 years
Catering and conference equipment	5 years
Computer equipment	4 years

#### d. *Heritage assets*

The College does not hold any material heritage assets and as such no further disclosures are considered required in these financial statements.

### Leases

Rental costs under operating leases are charged to the Income and Expenditure Account in equal amounts over the periods of the leases.

### Investments

Fixed asset investment and endowment assets are included in the balance sheet at market value, except for investments in subsidiary undertakings which are stated in the College's balance sheet at cost and eliminated on consolidation. Investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

#### *Securities*

Securities are shown at their market value. This is for listed investments the middle market quotation ruling at the close of business on 31 July, translated for overseas investments into sterling at the rates of exchange ruling at that date.

Investment income is included as and when dividends and interest become payable. Interest on bank deposits is included on an accrual basis. Interest which forms part of the price of investments purchased or sold during the year is treated as revenue.

#### *Properties*

Investment properties are included at open market value. A professional valuation is carried out every 5 years and interim valuations are carried out by the Bursar. The bursar's valuation method uses the values as per the latest professional valuation and adds an annual revaluation adjustment reflecting specific market values as published by financial institutions. These properties form part of the College's investments and therefore any surplus or deficit on revaluation is reflected as part of each fund's value as at 31 July. In accordance with SSAP19, no depreciation is charged.

### Stocks

Stocks are stated at the lower of cost and net realisable value after making provision for slow moving and obsolete items.

### 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2012

### **Taxation**

The College is a registered charity (number 1137496) and also a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

### **Contribution under Statute G,II**

The College is liable to be assessed for Contribution under the provisions of Statute G,II of the University of Cambridge. Contribution is used to fund grants to colleges from the Colleges Fund. The College may from time to time be eligible for such grants. The liability for the year is as advised to the College by the University based on an assessable amount derived from the value of the College's assets as at the end of the previous financial year.

### **Pension schemes**

The college pays contributions to two pension schemes which provide benefits to its members based on final pensionable salary. The assets of these schemes are held separately from those of the College.

#### *Universities Superannuation Scheme*

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 administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis 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.

#### *Fitzwilliam College Assistant Staff Superannuation Fund*

The College also contributes to the Fitzwilliam College Assistant Staff Superannuation Fund, which is a similar defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are matched evenly, so far as possible, to the service lives of the employees concerned.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
<b>INCOME</b>			
Academic fees and charges	1	2,470	2,388
Residences, catering and conferences	2	4,428	4,344
Endowment and investment income	3	1,158	1,206
Donations	4	279	248
Other income	5	166	186
<b>Total income</b>		<b>8,501</b>	<b>8,372</b>
<b>EXPENDITURE</b>			
Education	6	3,142	3,031
Residences, catering and conferences	7	4,435	4,440
Other expenditure	8	873	820
<b>Total expenditure</b>	9	<b>8,450</b>	<b>8,291</b>
<b>Surplus on continuing operations before Contribution under Statute G, II</b>		<b>51</b>	<b>81</b>
Contribution under Statute G,II		0	0
<b>Surplus on continuing operations after Contribution under Statute G, II</b>		<b>51</b>	<b>81</b>
Surplus for the year transferred to accumulated income in endowment funds	21	(67)	(49)
<b>Surplus/(Deficit) for the year retained within general reserves</b>		<b>(16)</b>	<b>32</b>

All items dealt with in arriving at the deficit for 2012 and surplus for 2011 relate to continuing operations.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 July 2012

	Note	Restricted Funds £000	Un-restricted Funds £000	2012 Total £000	2011 Total £000
Surplus/(deficit) on income and expenditure account		0	(16)	(16)	32
Unspent endowment fund income		67	0	67	49
Increase/(Decrease) in market value of investments:					
Endowment assets	21	(138)	(322)	(460)	936
Fixed assets	22	0	111	111	(99)
New endowments	21	1,251	0	1,251	3,238
Transfer donations towards Library		(1,411)	0	(1,411)	(1,451)
Transfer to Billygoats Society		0	0	0	(117)
Capital grant from Colleges Fund		0	325	325	307
Total recognised gains for the year		<u>(231)</u>	<u>98</u>	<u>(133)</u>	<u>2,895</u>
<b>Reconciliation</b>					
Opening reserves and endowments		9,199	44,280	53,479	50,584
Revaluation of external properties	22	0	0	0	0
Total recognised gains for the year		(231)	98	(133)	2,895
Closing reserves and endowments		<u>8,968</u>	<u>44,378</u>	<u>53,346</u>	<u>53,479</u>

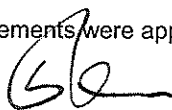
**CONSOLIDATED BALANCE SHEET**

As at 31 July 2012

	Note	2012 £000	2011 £000		
<b>FIXED ASSETS</b>					
Tangible assets	12	20,459	20,267		
Investments	13	4,608	1,935		
		<u>25,067</u>	<u>22,202</u>		
<b>ENDOWMENT ASSETS</b>	14	<u>42,307</u>	<u>42,535</u>		
<b>CURRENT ASSETS</b>					
Stocks	15	49	56		
Debtors due within one year	16	1,716	1,938		
Debtors due after more than one year	16	910	2,364		
Cash at bank and in hand	17	44	1,317		
		<u>2,719</u>	<u>5,675</u>		
<b>CREDITORS : amounts falling due within one year</b>	18	<u>(3,051)</u>	<u>(3,250)</u>		
<b>Net current assets</b>		<u>(332)</u>	<u>2,425</u>		
<b>Total assets less current liabilities</b>		<u>67,042</u>	<u>67,162</u>		
<b>CREDITORS: amounts falling due after more than one year</b>	19	<u>(10,000)</u>	<u>(10,000)</u>		
<b>TOTAL NET ASSETS</b>		<u><u>57,042</u></u>	<u><u>57,162</u></u>		
<b>Represented by:</b>					
		Restricted funds	Un-restricted funds	2012 Total	2011 Total
<b>DEFERRED CAPITAL GRANTS</b>	20	<u>3,696</u>	<u>0</u>	<u>3,696</u>	<u>3,683</u>
<b>ENDOWMENTS</b>					
Expendable endowments	21	1,285	0	1,285	1,533
Permanent endowments	21	7,683	33,339	41,022	41,002
		<u>8,968</u>	<u>33,339</u>	<u>42,307</u>	<u>42,535</u>
<b>RESERVES</b>					
General reserves	22	0	4,834	4,834	4,850
Operational property revaluation reserve	22	0	6,167	6,167	6,054
Fixed asset investment revaluation reserve	22	0	38	38	40
		<u>0</u>	<u>11,039</u>	<u>11,039</u>	<u>10,944</u>
<b>TOTAL FUNDS</b>		<u><u>12,664</u></u>	<u><u>44,378</u></u>	<u><u>57,042</u></u>	<u><u>57,162</u></u>

The financial statements were approved by the Governing Body on 21 November 2012 and signed on its behalf by:

R A Powell  
Bursar



R D Lethbridge  
Master



The notes on pages 21 to 34 form part of these accounts

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
<b>Net cash inflow from operating activities</b>	23	<b>517</b>	<b>186</b>
Returns on investments and servicing of finance	24	458	316
Capital expenditure and financial investment	24	815	2,197
Net cash inflow before management of liquid resources		1,790	2,699
Management of liquid resources	24	(3,148)	(1,462)
<b>Decrease in cash in the year</b>		<b>(1,358)</b>	<b>1,237</b>
<b>Reconciliation in net cash flow to movement in net funds</b>			
Decrease in cash in the year		(1,358)	1,237
Cash inflow from liquid resources		3,148	1,462
<b>Change in net funds</b>		<b>1,790</b>	<b>2,699</b>
Net funds at beginning of year		(6,618)	(9,317)
<b>Net funds at end of year</b>		<b>(4,828)</b>	<b>(6,618)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**1. ACADEMIC FEES AND CHARGES**

	<b>2012</b>	<b>2011</b>
	£000	£000
Colleges fees:		
Fee income paid on behalf of undergraduates at the publicly-funded undergraduate rate (per capita fee £3,951)	1,508	1,502
Privately-funded undergraduate fee income (per capita fee (£5,330)	483	452
Fee income received at the graduate fee rate (per capita fee £2,289)	462	422
Other income	17	12
	<u>2,470</u>	<u>2,388</u>
	<u><u>2,470</u></u>	<u><u>2,388</u></u>

**2. INCOME FROM RESIDENCES, CATERING AND CONFERENCES**

	<b>2012</b>	<b>2011</b>
	£000	£000
Accommodation:		
College members	2,267	2,147
Conferences	558	607
Catering:		
College members	924	894
Conferences	679	696
	<u>4,428</u>	<u>4,344</u>
	<u><u>4,428</u></u>	<u><u>4,344</u></u>

**3. ENDOWMENT AND INVESTMENT INCOME**

	<b>2012</b>	<b>2011</b>
	Total £000	Total £000
Income from:		
Land and buildings	227	420
Quoted securities	705	525
Other interest receivable	226	261
	<u>1,158</u>	<u>1,206</u>
	<u><u>1,158</u></u>	<u><u>1,206</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**4. DONATIONS**

	<b>2012</b>	<b>2011</b>
	£000	£000
Unrestricted donations	92	67
Restricted donations	100	87
Released from deferred capital grants (see note 20)	87	94
	<u>279</u>	<u>248</u>

**5. OTHER INCOME**

	<b>2012</b>	<b>2011</b>
	£000	£000
Miscellaneous charges to members and other income	65	78
Hire of network	76	89
Launderette income	25	19
	<u>166</u>	<u>186</u>

**6. EDUCATION EXPENDITURE**

	<b>2012</b>	<b>2011</b>
	£000	£000
Teaching	2,027	1,945
Tutorial	454	463
Admissions	141	116
Research	222	232
Scholarships and awards	139	121
Other educational facilities	159	154
	<u>3,142</u>	<u>3,031</u>

**7. RESIDENCES, CATERING AND CONFERENCES EXPENDITURE**

	<b>2012</b>	<b>2011</b>
	£000	£000
Accommodation:		
College members	2,331	2,250
Conferences	474	494
Catering:		
College members	1,182	1,221
Conferences	448	475
	<u>4,435</u>	<u>4,440</u>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**8. OTHER EXPENDITURE**

	<b>2012</b>	<b>2011</b>
	£000	£000
Restricted funds expenditure	63	47
Loan interest	328	322
Development expenses	233	225
Administration	164	142
Other	85	84
	<u>873</u>	<u>820</u>

**9. ANALYSIS OF EXPENDITURE BY ACTIVITY**

<b>2011/12</b>	Staff costs (note 11) £000	Other operating expenses £000	Deprecia- -tion £000	Total £000
Education (note 6)	1,240	1,752	150	3,142
Residences, catering and conferences (note 7)	2,195	1,608	632	4,435
Other (note 8)	239	631	3	873
	<u>3,674</u>	<u>3,991</u>	<u>785</u>	<u>8,450</u>

The above expenditure includes fundraising costs of £233,928 (2011: £225,465).  
This expenditure includes the costs of alumni relations.

<b>2010/11</b>	Staff costs (note 11) £000	Other operating expenses £000	Deprecia- -tion £000	Total £000
Education (note 6)	1,165	1,721	145	3,031
Residences, catering and conferences (note 7)	2,210	1,617	613	4,440
Other (note 8)	237	581	2	820
	<u>3,612</u>	<u>3,919</u>	<u>760</u>	<u>8,291</u>

**10. AUDITORS' REMUNERATION**

	<b>2012</b>	<b>2011</b>
	£000	£000
Other operating expenses include:		
Audit fees payable to the College's external auditors	16	15
	<u>16</u>	<u>15</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

## 11. STAFF COSTS

	College fellows £000	Non-academic £000	2012 Total £000	2011 Total £000
<i>Staff costs:</i>				
Emoluments	539	2,397	2,936	2,923
Social security costs	60	161	221	218
Other pension costs	55	462	517	471
	<u>654</u>	<u>3,020</u>	<u>3,674</u>	<u>3,612</u>
	<u><u>654</u></u>	<u><u>3,020</u></u>	<u><u>3,674</u></u>	<u><u>3,612</u></u>
	No	No	No	No
<i>Average staff numbers:</i>				
Academic	48	0	48	47
Non-academic	0	106	106	103
	<u>48</u>	<u>106</u>	<u>154</u>	<u>150</u>
	<u><u>48</u></u>	<u><u>106</u></u>	<u><u>154</u></u>	<u><u>150</u></u>

The Governing Body comprised 57 Fellows of which the 48 declared above were stipendiary.

No officer or employee of the College, including the Head of House, received emoluments of over £100,000. During the year the Trustees received £539,153 for normal College duties.

## 12. TANGIBLE FIXED ASSETS

	Freehold land and buildings				2012 Total £000	2011 Total £000
	College main site £000	External properties £000	Assets under construction £000	Furniture, fittings and equipment £000		
<b>Cost</b>						
At beginning of year	24,619	15,111	73	3,309	43,112	40,410
Additions	142	320	0	319	781	2,862
Costs written off	0	0	(73)	0	(73)	
Revaluation surplus/(deficit)	0	926	0	0	926	(160)
Disposals	0	0	0	0	0	0
At end of year	<u>24,761</u>	<u>16,357</u>	<u>0</u>	<u>3,628</u>	<u>44,746</u>	<u>43,112</u>
	<u><u>24,761</u></u>	<u><u>16,357</u></u>	<u><u>0</u></u>	<u><u>3,628</u></u>	<u><u>44,746</u></u>	<u><u>43,112</u></u>
<b>Depreciation</b>						
At beginning of year	3,614	0	0	2,244	5,858	5,098
Charge for the year	495	0	0	290	785	760
Revaluation transfer	0	0	0	0	0	0
Eliminated on disposals	0	0	0	0	0	0
At end of year	<u>4,109</u>	<u>0</u>	<u>0</u>	<u>2,534</u>	<u>6,643</u>	<u>5,858</u>
	<u><u>4,109</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>2,534</u></u>	<u><u>6,643</u></u>	<u><u>5,858</u></u>
<b>Net book value</b>						
At end of year	<u>20,652</u>	<u>16,357</u>	<u>0</u>	<u>1,094</u>	<u>38,103</u>	<u>37,254</u>
	<u><u>20,652</u></u>	<u><u>16,357</u></u>	<u><u>0</u></u>	<u><u>1,094</u></u>	<u><u>38,103</u></u>	<u><u>37,254</u></u>
At beginning of year	<u>21,005</u>	<u>15,111</u>	<u>73</u>	<u>1,065</u>	<u>37,254</u>	<u>35,312</u>
	<u><u>21,005</u></u>	<u><u>15,111</u></u>	<u><u>73</u></u>	<u><u>1,065</u></u>	<u><u>37,254</u></u>	<u><u>35,312</u></u>

The insured replacement cost of freehold land and buildings as at 31 July 2012 was £77,704,000.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**12. TANGIBLE FIXED ASSETS (continued)**

	Freehold land and buildings			Furniture, fittings and equipment	2012 Total	2011 Total
	College main site	External properties	Assets under construction			
	£000	£000	£000	£000	£000	£000
Net book value at end of year	20,652	16,357	0	1,094	38,103	37,254
Less: buildings forming part of endowment assets (note 14)	(10,410)	(7,234)	0	0	(17,644)	(16,987)
	<u>10,242</u>	<u>9,123</u>	<u>0</u>	<u>1,094</u>	<u>20,459</u>	<u>20,267</u>

**13. FIXED ASSET INVESTMENTS**

	2012 Total	2011 Total
Balance at beginning of year	25,207	24,128
Additions	5,540	5,308
Disposals	(5,879)	(6,688)
Appreciation/(depreciation)	(1,275)	997
Increase/(decrease) in cash balances	3,148	1,462
Balance at end of year	<u>26,741</u>	<u>25,207</u>
Represented by:		
Investment properties	3,150	3,859
Quoted securities - equities	17,101	18,181
Quoted securities - fixed interest	1,064	889
Cash held at investment managers	373	729
Bank balances	5,053	1,549
	<u>26,741</u>	<u>25,207</u>
Less: investments forming part of endowment (note 14)	(22,133)	(23,272)
	<u>4,608</u>	<u>1,935</u>

**14. ENDOWMENT ASSETS**

	2012 £000	2011 £000
Freehold land and buildings (note 12)	17,644	16,987
Other assets (note 16)	2,530	2,276
Share of pooled investment assets (note 13)	22,133	23,272
	<u>42,307</u>	<u>42,535</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**15. STOCKS**

	<b>2012</b>	<b>2011</b>
	£000	£000
Goods for resale	49	56
	<u>          </u>	<u>          </u>

**16. DEBTORS**

	<b>2012</b>	<b>2011</b>
	£000	£000
<b>Due within one year</b>		
Members of the College	160	173
Other debtors	1,556	1,765
	<u>          </u>	<u>          </u>
	1,716	1,938
	<u>          </u>	<u>          </u>
<b>Due after more than one year</b>		
Loan repayable by 31 July 2030	3,440	4,640
Less: forming part of endowment assets (note 14)	(2,530)	(2,276)
	<u>          </u>	<u>          </u>
	910	2,364
	<u>          </u>	<u>          </u>

**17. CASH AT BANK AND IN HAND**

	<b>2012</b>	<b>2011</b>
	£000	£000
Cash held at investment managers	0	1,290
Current accounts	43	26
Cash in hand	1	1
	<u>          </u>	<u>          </u>
	44	1,317
	<u>          </u>	<u>          </u>

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2012</b>	<b>2011</b>
	£000	£000
Bank overdraft	298	213
Social security and other taxes	32	133
Members of the College	148	188
Other creditors	2,573	2,716
	<u>          </u>	<u>          </u>
	3,051	3,250
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2012</b>	<b>2011</b>
	£000	£000
Bank loan	10,000	10,000
	<u>          </u>	<u>          </u>

The bank loan is unsecured and to be repaid in full by 30 July 2058 at a fixed rate of 4.93% per annum.

**20. DEFERRED CAPITAL GRANTS**

	<b>2012</b>	<b>2011</b>
	£000	£000
Balances at beginning of year:		
Buildings	3,683	3,697
Donations received:		
Buildings	100	80
Released to income and expenditure account:		
Buildings	(87)	(94)
	<u>          </u>	<u>          </u>
Balances at end of year:		
Buildings	3,696	3,683
	<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

## 21. ENDOWMENTS

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2012 Total	2011 Total
	£000	£000	£000	£000	£000	£000
<b>Balance at beginning of year:</b>						
Capital	33,336	7,083	40,419	1,507	41,926	39,012
Unspent income	0	583	583	26	609	561
	<u>33,336</u>	<u>7,666</u>	<u>41,002</u>	<u>1,533</u>	<u>42,535</u>	<u>39,573</u>
New endowments received	0	180	180	1,071	1,251	3,238
Transfer donations towards Library	0	0	0	(1,411)	(1,411)	(1,451)
Transfer to Billygoats Society	0	0	0	0	0	(117)
Other Transfers	0	(77)	(77)	77	0	0
Capital grant from Colleges Fund	325	0	325	0	325	307
Increase/(decrease) in market value of investments	(322)	(121)	(443)	(17)	(460)	936
	<u>33,339</u>	<u>7,648</u>	<u>40,987</u>	<u>1,253</u>	<u>42,240</u>	<u>42,486</u>
<b>Net transfer (to)/from income and expenditure account:</b>						
Income receivable	442	249	691	125	816	620
Expenditure	(442)	(214)	(656)	(93)	(749)	(571)
	<u>0</u>	<u>35</u>	<u>35</u>	<u>32</u>	<u>67</u>	<u>49</u>
<b>Balance at end of year</b>	<u>33,339</u>	<u>7,683</u>	<u>41,022</u>	<u>1,285</u>	<u>42,307</u>	<u>42,535</u>
<b>Comprising:</b>						
Capital	33,339	7,065	40,404	1,254	41,658	41,926
Unspent income	0	618	618	31	649	609
<b>Balance at end of year</b>	<u>33,339</u>	<u>7,683</u>	<u>41,022</u>	<u>1,285</u>	<u>42,307</u>	<u>42,535</u>
<b>Representing:</b>						
Fellowship and Research Funds	0	2,867	2,867	82	2,949	2,898
Scholarship and Prize Funds	111	1,444	1,555	0	1,555	1,546
Chapel Funds	0	302	302	289	591	600
Travel Grant Funds	0	410	410	2	412	396
Hardship Funds	0	2,264	2,264	33	2,297	2,262
Building Funds	0	0	0	717	717	1,146
Other Funds	0	396	396	162	558	464
General endowments	33,228	0	33,228	0	33,228	33,223
	<u>33,339</u>	<u>7,683</u>	<u>41,022</u>	<u>1,285</u>	<u>42,307</u>	<u>42,535</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**22. RESERVES**

	General reserves	Operational property revaluation reserve	Fixed asset Investment revaluation reserve	2012 Total	2011 Total
	£000	£000	£000	£000	£000
Balance at beginning of year	4,850	6,054	40	10,944	11,011
Revaluation of external properties	0	0	0	0	0
Surplus/(deficit) for the year	(16)	0	0	(16)	32
Increase/(decrease) in market value of investments	0	113	(2)	111	(99)
Balance at end of year	<u>4,834</u>	<u>6,167</u>	<u>38</u>	<u>11,039</u>	<u>10,944</u>

**23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2012 £000	2011 £000
Surplus on continuing operations	51	81
Depreciation of tangible fixed assets	785	760
Deferred capital grants released to income	(87)	(95)
Investment income	(930)	(786)
Interest payable	496	492
Decrease in stocks	8	(1)
Decrease in debtors	174	(228)
Decrease in creditors	(54)	(37)
Fixed asset costs written off	74	0
Net cash inflow from operating activities	<u>517</u>	<u>186</u>

**24. CASH FLOWS****RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2012 £000	2011 £000
Endowment and investment income received	954	808
Interest paid	(496)	(492)
Net cash inflow from returns on investments and servicing of finance	<u>458</u>	<u>316</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**24. CASH FLOWS (continued)****CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2012</b>	<b>2011</b>
	£000	£000
Receipts from sales of tangible fixed assets	0	170
Receipts from sales of endowment assets	5,879	6,688
New endowments received	1,363	3,329
Capital grant received from colleges fund	325	307
Loan repayment from Fitzwilliam Information Services Trust Limited	1,200	238
Loan repayment from fellows	20	0
	<hr/>	<hr/>
Total capital receipts	8,787	10,732
	<hr/>	<hr/>
Payments to acquire tangible fixed assets	(832)	(502)
Payments to acquire endowment assets	(5,572)	(7,548)
Housing loans to fellows	0	(180)
Donation to Fitzwilliam Information Services Trust Ltd	(1,451)	(305)
Fund balance repayment to Billygoats Society	(117)	0
	<hr/>	<hr/>
Total capital expenditure	(7,972)	(8,535)
	<hr/>	<hr/>
Net cash inflow from capital transactions	815	2,197
	<hr/>	<hr/>

**MANAGEMENT OF LIQUID RESOURCES**

	<b>2012</b>	<b>2011</b>
	£000	£000
Increase in short term deposits	3,148	1,462
	<hr/>	<hr/>

**25. ANALYSIS OF CASH AND BANK BALANCES**

	<b>2012</b>	<b>2011</b>
	£000	£000
Bank overdraft	(298)	(213)
Bank loan	(10,000)	(10,000)
Cash held at fund managers and on deposit	5,470	3,595
	<hr/>	<hr/>
	(4,828)	(6,618)
	<hr/>	<hr/>

**26. CAPITAL COMMITMENTS**

At 31 July 2012 future capital expenditure authorised and committed amounted to £nil (2011 - £nil).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

### 27. FINANCIAL COMMITMENTS

At 31 July 2012 and 31 July 2011 the College had no annual commitments under non-cancellable operating leases.

### 28. PENSION SCHEMES

#### Universities Superannuation Scheme

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 fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

### 28. PENSION SCHEMES (continued)

#### Universities Superannuation Scheme (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

**New entrants:**

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

**Normal pension age:**

The normal pension age was increased for future service and new entrants, to age 65.

**Flexible retirement:**

Flexible retirement options were introduced.

**Member contributions increased:**

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

**Cost sharing:**

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

**Pension increase cap:**

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using a AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

### 28. PENSION SCHEMES (continued)

#### Universities Superannuation Scheme (continued)

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

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

At 31 March 2012, USS had over 145,000 active members and the College had 83 active members participating in the scheme.

The total pension cost for the College was £298,479 (2011: £277,624). The contribution rate payable by the College was 16% of pensionable salaries.

#### Fitzwilliam College Assistant Staff Superannuation Fund

The Group also operates an insured pension fund for non-academic employees providing defined benefits to those employees based on their final pensionable salary. Contributions to the fund are based on the recommendation of professional advisors and with the agreement of the fund's actuary. The assets of the Fund are principally invested in a Unitised With-Profits policy with Norwich Union. The fund was valued by an independent actuary as at 1 August 2009.

A market-based valuation has been carried out. This means the assets are taken at a market value and the assumptions used to calculate the liabilities are set with reference to market conditions at the valuation date. As set out in the Statement of Funding Principles, the liabilities have been valued using the Projected Accrued Benefit method. The value of the assets is compared with the past service liability to determine the funding level and the surplus or deficit. No liabilities will arise in respect of service after the valuation date as the Scheme has ceased future accrual.

The past service liability is calculated by estimating the future benefit payments from the Scheme based on pensionable service up to the date accrual ceased and final pensionable salaries projected to retirement. These are then discounted back to the valuation date at the valuation rate of interest. This gives the present value of the liabilities accrued up to the valuation date.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions. It was assumed that the yield up to retirement would be 5.5% per annum, salary increases would be 4.0% per annum and pensions would increase by 3.5% per annum.

At the valuation date, the value of the assets of the scheme was £1,036,000 and the value of the past service liabilities was £2,641,000 indicating a deficit of £1,605,000 and a funding level of 39%.

The previous full actuarial valuation showed a deficit of £1,300,000. The main reasons for the change between that deficit and the actual deficit produced now of £1,605,000 related mainly to changes in the assumptions previously made and contributions paid. The actuary also valued the scheme on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date). On this basis the actuary estimated that the funding level would have been approximately 49%.

The College received an interim actuarial report carried out as at 1 August 2011 showing a reduced deficit of £1,251,000. The main reasons for the improvement related to the increased level of contributions made by the College, salary increases being below projection and investment return of 10.3% compared with assumption of 5.5%. That resulted in an improved revised funding level of 56%.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2012

**28. PENSION SCHEMES (continued)****Fitzwilliam College Assistant Staff Superannuation Fund (continued)**

Due to the current deficit a recovery plan has been put in place to ensure the statutory funding objective is met within a stated period. To eliminate the funding deficit, the employer agreed to contribute £200,000 each year from 1 August 2010 to 1 August 2020. The next formal triennial actuarial valuation is due as at 1 August 2012. The net charge to the income and expenditure account during the year was £200,000.

Financial Reporting Standard 17 requires disclosure in the financial statements of the fair value of the assets and liabilities arising from the group's retirement benefit obligations and any related funding at each balance sheet date. It also requires disclosure of key actuarial assumptions, the cost of providing retirement benefits, the related finance costs and any other changes in value of the assets and liabilities. The information shown is to be updated by the scheme's actuary at each balance sheet date. The Governing Body has concluded that it is not in its interest to incur the costs of an annual actuarial valuation. The above note therefore includes corresponding information from the most recent triennial valuation performed by the actuary for the pension scheme. It is not practicable to quantify the effect of this departure from accounting standards.

**29. SUBSIDIARY UNDERTAKINGS**

The subsidiary companies (all of which are registered in England & Wales), wholly-owned by the College, are as follows:

<b>Company</b>	<b>Principal Activity</b>	<b>Status</b>
Fitzwilliam College Services Limited	Provision of conference management services	100% owned
Kawakawa Bay Limited	Provision of launderette services	100% owned

**30. RELATED PARTY TRANSACTIONS**

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

The College operates a fellows housing loan scheme and at the end of the year the total amount included in debtors amounted to £392,653 (2011 - £397,040). These loans are offered to fellows whom meet the criteria on commercial terms.