

**MERTON COLLEGE**

**Financial statements**

**Year ended 31 July 2009**

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## **MERTON COLLEGE**

### **Report of the Governing Body**

The Governing Body of Merton College presents the annual report and financial statements for the year ended 31 July 2009.

#### **Status**

Merton College is a charitable corporation founded by Walter of Merton, Lord Chancellor of England and Bishop of Rochester, with royal consent under statutes dated 1264 and 1274. The College is an exempt charity under section 3(5a) of the Charities Act 1993, as listed in Schedule 2(b) to that Act.

#### **Objects**

The College's main objects are to provide and promote undergraduate and graduate education, and to promote academic research, in a residential context within the University of Oxford. The College's objects also include the preservation and enhancement of its heritage of buildings, estates, collections and artefacts.

#### **Governance**

The Governing Body of the College comprises the Warden and Fellows. This body is constituted and regulated in accordance with College Statutes, which are enforceable by the Visitor, the Archbishop of Canterbury. The College Statutes are laid down by order of Her Majesty in Council and in accordance with the Universities of Oxford and Cambridge Act 1923. The Governing Body is responsible for the strategic policy of the College, for its administration and for the management of its finances and assets. It meets regularly under the chairmanship of the Warden and is advised by a range of committees.

#### **Scope of financial statements**

The financial statements consolidate the accounts of Merton College, Merton College Charitable Trust and Merton Enterprises Limited. Merton College Charitable Trust (registration number 1078622) makes grants to the College from donations received for College purposes. The trustees include members of the Governing Body of the College and third parties. Merton Enterprises Limited (registration number 3934410) undertakes trading activities on behalf of the College and any profits are paid to the College under gift aid.

#### **Review of operations and finance**

For the year ended 31 July 2009, the consolidated surplus on income and expenditure account was £650,000 (2008 £1,262,000), inclusive of donations of £1,614,000 (2008 £866,000), of which £843,000 (2008 £378,000) were for restricted purposes and have been transferred to designated reserves. The decrease in consolidated net cash funds was £9,794,000 (2008 increase £5,661,000), and expenditures of £1,608,000 were incurred on tangible fixed assets. At 31 July 2009, consolidated net assets were £154,013,000 (2008 £161,832,000) and the College was contracted for capital commitments of £3,626,000 (2008 £193,000) in respect new building projects (mainly the new lecture theatre in the College grounds) and programmes of improvement to fixed assets.

#### **Endowment assets and investment performance**

Endowment funds are invested in assets which fundamentally underpin and sustain the operations of the College at the desired level of activity in the long term. At 31 July 2009, endowment assets were £137,318,000 (2008 £145,172,000). For the year ended 31 July 2008, income from endowment assets of £4,320,000 (2008 £4,923,000) was credited to income and expenditure account, and the depreciation in value of endowment assets was £10,492,000 (2008 appreciation £3,523,000). Total investment return, capital and revenue, was negative (4.2)% (2008 positive 6.0%), expressed as a percentage of endowments at the start of the year.

## **Reserves**

At 31 July 2009, consolidated reserves were £11,016,000 (2008 £12,062,000) and, after allowing for amounts invested in fixed assets, net of deferred capital, consolidated general reserves were £1,330,000 (2008 £2,339,000), of which £1,149,000 (2008 £1,721,000) was attributable to the College and £181,000 (2008 £618,000) to subsidiary undertakings. College policy is to maintain endowment to sustain operations at the desired level in the long term. The Governing Body intends that the College should maintain a small general reserve, equivalent to up to three months revenue expenditure, as contingency, but general reserves are subject to fluctuation in accordance with variations in endowment income and repairs expenditures in particular. Designated and general reserves in Merton College Charitable Trust may be paid to the College as grants at the discretion of the trustees. Capital grants made by Merton College Charitable Trust are credited to deferred capital.

## **Risk management**

The major risks to which the College is exposed have been identified and reviewed by the Governing Body and systems have been established to mitigate these risks. These include operational, financial and external risks, and risks associated with governance and compliance.

Approved by the Governing Body on 4 November 2009

Warden

**MERTON COLLEGE**  
**Responsibilities of the Governing Body**

In accordance with the College's Statutes, the Governing Body is responsible for the administration and management of the College's affairs.

It 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 audited financial statements for each financial year, prepared in accordance with the Statutes of the University. The Governing Body are also responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

In preparing the financial statements, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- it is satisfied that it has adequate resources to continue in operation for the foreseeable future:

accordingly the financial statements are prepared on a going concern basis.

The Governing Body has taken reasonable steps to:

- ensure that there are appropriate financial and management controls in place to safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

Any system of internal financial control, however, can only provide reasonable, not absolute, assurance against material misstatement or loss.

Under the Charities Act 1993 the College is an exempt charity and the members of the Governing Body must ensure that the property and income of the College are applied only in support of purposes which are charitable in law.

**MERTON COLLEGE**  
**Independent Auditors' Report to Governing Body**

We have audited the financial statements of Merton College for the year ended 31 July 2009 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Governing Body, in accordance with the College's statutes. Our audit work has been undertaken so that we may state to the 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 for our audit work, for this report or for the opinions we have formed.

**Respective responsibilities of the Governing Body and Auditors**

The Governing Body's responsibilities for preparing the Report of the Governing Body and the financial statements in accordance with the provisions of Statute XV made by the University of Oxford under the Oxford and Cambridge Act 1923, and of Regulations for the accounts of the colleges made thereunder, are set out in the Responsibilities of the Governing Body. The Governing Body are also responsible for the preparation of the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 provisions of Statute XV made by the University of Oxford under the Universities of Oxford and Cambridge Act 1923, and of Regulations for the accounts of the colleges made thereunder. We also report to you if, in our opinion, the Report of the Governing Body is not consistent with the financial statements, if the College has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Governing Body 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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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.

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:

- (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College, and of the College consolidated with its subsidiaries and connected entities, as at 31 July 2009 and of its consolidated surplus for the year then ended; and
- (b) the financial statements have been properly prepared in accordance with the provisions of Statute XV made by the University of Oxford under the Universities of Oxford and Cambridge Act 1923, and of Regulations for the accounts of the colleges made thereunder; and
- (c) in all material respects, income received from the University of Oxford out of grants from the Higher Education Funding Council for England during the year ended 31 July 2009 has been applied to the purposes for which it was received.

Critchleys  
Registered Auditors and Chartered Accountants  
Oxford

**MERTON COLLEGE**  
**Statement of Principal Accounting Policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, and in accordance with both applicable accounting standards and, to the extent appropriate, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions ("the SORP").

The financial statements consolidate the accounts of the College and of its subsidiary undertakings, the Merton College Charitable Trust and Merton Enterprises Limited. The accounts of the affiliated student bodies (including Merton College Junior and Middle Common Rooms and Merton College Boat Club) have not been consolidated because the College does not control these activities.

**Recognition of income**

Fees and other income for services provided are credited to the income and expenditure account on a receivable basis.

Income from specific endowments is excluded from income and expenditure account and is accounted in Endowments (note 15). Income from general endowments (the use of which is not legally restricted to a specific purpose or activity) is credited to income and expenditure account on a receivable basis.

**General donations**

Unrestricted donations and benefactions are credited to income and expenditure account on a receivable basis.

**Pension costs**

Contributions to the pension schemes provided for employees of the College are charged to the income and expenditure account on the basis of the contributions payable during the year.

**Tangible fixed assets**

Tangible fixed assets are stated at cost and are depreciated on a straight line basis over the following periods:

Freehold buildings, 50 years  
Building improvements, 20 years  
Equipment, 5 to 10 years  
Motor vehicles, 5 years

Freehold land is not depreciated. The cost of freehold land associated with the main historic site is not included in the balance sheet, but is unlikely to be material.

The cost of major renovation projects which increase the service potential of buildings is capitalised and depreciated over applicable periods.

Donations received to finance the acquisition of tangible fixed assets are treated as deferred capital and released to income on a straight line basis over the same period as the related asset is depreciated.

The College operates a "de minimis" limit of £5,000 for the capitalisation of expenditure on equipment. Works of art and other valuable artefacts that can be regarded as inalienable are not included in the financial statements.



**Investments**

Investments and properties held as endowment asset investments are stated at market value.

Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

**Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

**Provisions**

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event and 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 obligation.

**Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

**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 of exchange or, where there are related forward foreign exchange contracts, at contract rates. The resultant exchange differences are included in endowments or in income and expenditure account for the year.

**Taxation status**

As an exempt charity within the meaning of Schedule 2 of the Charities Act 1993, the College is potentially exempt from taxation in respect of income or capital gains received within 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.

Trading activities undertaken by the College are administered through its subsidiary, which, as a commercial organisation, is liable to Corporation Tax. Profits made by this company are, however, transferred to the College by Gift Aid.

**College Contribution Scheme**

The College is liable to be assessed for Contribution under the provisions of Statute XV of the University of Oxford. The Contribution Fund is used to make grants and loans to colleges on the basis of need. Contribution is calculated annually in accordance with regulations made by Council.

**MERTON COLLEGE**  
**Consolidated Income and Expenditure Account**  
**Year ended 31 July 2009**

	Notes	2009 £000's	2008 £000's
<b>INCOME</b>			
Academic fees, tuition income and other HEFCE support	1	1,951	1,820
Research grants and contracts	2	225	194
Other operating income	3	4,193	3,361
Endowment income and interest receivable	4	4,373	5,025
<b>Total income</b>		<b>10,742</b>	<b>10,400</b>
<b>EXPENDITURE</b>			
Staff costs	5	5,169	4,945
Depreciation		706	672
Other operating expenses		4,012	3,501
Contribution under Statute XV		205	20
<b>Total expenditure</b>	7	<b>10,092</b>	<b>9,138</b>
<b>Surplus for the year</b>	8	<b>650</b>	<b>1,262</b>

**Consolidated statement of total recognised gains and losses**  
**Year ended 31 July 2009**

	2009 £000's	2008 £000's
<b>Reserves</b>		
Surplus for the year	650	1,262
Net transfers from reserves	(1,696)	(412)
<b>Endowments</b>		
Endowments received	1,872	816
Appreciation/(devaluation) of endowment asset investments	(10,492)	3,523
Net transfers to endowments	741	412
Specific endowment income retained for the year	25	11
<b>Other</b>		
New deferred capital received	278	75
Net transfers to deferred capital	955	0
Deferred capital released to income and expenditure account	(152)	(139)
<b>Total recognised (losses)/gains relating to the year</b>	<b>(7,819)</b>	<b>5,548</b>
Funds at 1 August 2008	161,832	156,284
Funds at 31 July 2009	<b>154,013</b>	<b>161,832</b>

**MERTON COLLEGE**  
**Balance Sheets**  
**As at 31 July 2009**

	Notes	CONSOLIDATED		COLLEGE	
		2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Fixed assets</b>					
Tangible assets	9	14,936	14,039	14,936	14,039
Investments	10	0	0	76	76
		<u>14,936</u>	<u>14,039</u>	<u>15,012</u>	<u>14,115</u>
<b>Endowment asset investments</b>	11	137,318	145,172	137,318	145,172
<b>Current assets:</b>					
Stocks		165	189	152	173
Debtors	12	1,196	1,124	1,195	1,123
Cash at bank and in hand		<u>1,521</u>	<u>2,419</u>	<u>849</u>	<u>1,460</u>
		2,882	3,732	2,196	2,756
<b>Creditors:</b>					
Amounts falling due within one year	13	(1,123)	(1,111)	(1,123)	(1,111)
<b>Net current assets (liabilities)</b>		<u>1,759</u>	<u>2,621</u>	<u>1,073</u>	<u>1,645</u>
<b>TOTAL NET ASSETS</b>		<u>154,013</u>	<u>161,832</u>	<u>153,403</u>	<u>160,932</u>
<b>Deferred capital</b>	14	5,679	4,598	5,679	4,598
<b>Endowments</b>					
Specific		6,772	4,416	6,772	4,416
General		<u>130,546</u>	<u>140,756</u>	<u>130,546</u>	<u>140,756</u>
	15	137,318	145,172	137,318	145,172
<b>Reserves</b>					
Designated reserves		429	282	0	0
General reserves		<u>10,587</u>	<u>11,780</u>	<u>10,406</u>	<u>11,162</u>
	16	11,016	12,062	10,406	11,162
<b>TOTAL FUNDS</b>		<u>154,013</u>	<u>161,832</u>	<u>153,403</u>	<u>160,932</u>

The financial statements were approved and authorised for issue by the Governing Body of Merton College on 4 November 2009

Warden

Finance Bursar

**MERTON COLLEGE**  
**Consolidated Cash Flow Statement**  
**Year ended 31 July 2009**

	Notes	2009 £000's	2008 £000's
<b>Net cash inflow (outflow) from operating activities</b>	22	<u>(3,206)</u>	<u>(3,183)</u>
Returns on investments and servicing of finance:			
Income from endowments	15	4,345	4,934
Other income from investments and interest received		53	102
Net cash inflow from returns on investments and servicing of finance		<u>4,398</u>	<u>5,036</u>
Capital expenditure and financial investment:			
Net realisation/(acquisition) of tangible fixed assets	9	(1,603)	(734)
Net realisation/(acquisition) of endowment asset investments	11	(11,546)	3,621
Deferred capital received	14	278	75
New endowments received	15	1,872	816
Exchange conversion adjustment on endowment assets cash		13	30
Net cash inflow/(outflow) from capital expenditure and financial investment		<u>(10,986)</u>	<u>3,808</u>
<b>Increase/(decrease) in cash</b>	23	<u>(9,794)</u>	<u>5,661</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash for the year	23	(9,794)	5,661
Opening net funds	23	15,052	9,391
<b>Closing net funds</b>	23	<u>5,258</u>	<u>15,052</u>

**MERTON COLLEGE**  
**Notes to the Financial Statements**  
**Year ended 31 July 2009**

	2009 £000's	2008 £000's
<b>1 ACADEMIC FEES, TUITION INCOME AND HEFCE SUPPORT</b>		
Tuition fees from UK and European Union students	1,133	1,476
Tuition fees from overseas students	414	297
Other tuition income and HEFCE support	404	47
	<u>1,951</u>	<u>1,820</u>

The above analysis includes support from the University from HEFCE funds amounting to £1,350,000 (2008 £1,289,000).

	£000's	£000's
<b>2 RESEARCH GRANTS AND CONTRACTS</b>		
UK based charities	112	28
Other grants and contracts	113	166
	<u>225</u>	<u>194</u>

	£000's	£000's
<b>3 OTHER OPERATING INCOME</b>		
Residential income from college members	1,827	1,634
Conference and function income	351	456
Grants and donations	1,614	866
Release of deferred capital contributions	152	139
Other income	249	266
	<u>4,193</u>	<u>3,361</u>

	£000's	£000's
<b>4 ENDOWMENT RETURN AND INTEREST RECEIVABLE</b>		
Transferred from specific endowments (note 15)	141	114
Transferred from general endowments (note 15)	4,179	4,809
Other interest receivable	53	102
	<u>4,373</u>	<u>5,025</u>

	£000's	£000's
<b>5 STAFF COSTS</b>		
Gross pay	4,225	4,050
Social Security costs	302	287
Other pension costs	532	457
Other benefits	110	151
	<u>5,169</u>	<u>4,945</u>

## 6 PENSION SCHEMES

### i The pension schemes

The College participates in two principal pension schemes for its staff - the Universities Superannuation Scheme ('USS') and the University of Oxford Staff Pension Scheme ('OSPS'). Both schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and final pensionable salary) and are contracted out from the State Second Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. Both schemes are multi-employer schemes and the College is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS17 "Retirement Benefits", the College accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

However, in OSPS, the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

### ii Actuarial valuations

Qualified actuaries periodically value the Schemes. Both USS and OSPS were valued using the "projected unit" method, embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are shown in the following table.

	USS	OSPS
Date of valuation:	31/03/2008 <sup>a</sup>	31/07/2007
Date valuation results published:	04/02/2009	09/10/2008
Value of past service liabilities:	£28,135m	£322m
Value of assets:	£28,842m	£279m
Funding Surplus/(Deficit):	£707m <sup>b</sup>	(£43m) <sup>c</sup>
Principal assumptions:		
Rate of interest (past service liabilities)	4.4% pa	-
Rate of interest (future service liabilities)	6.1% pa	-
Rate of interest (periods up to retirement)	-	6.9% pa
Rate of interest (periods after retirement)	-	4.9% pa
Rate of increase in salaries	4.3% pa	4.8% pa
Rate of increase in pensions	3.3% pa	3.3% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	23 yrs	22 yrs
Assumed life expectancy at age 65 (females)	25 yrs	24 yrs
Funding Ratios:		
Scheme valuation basis:	103% <sup>d</sup>	87%
Statutory Pension Protection Fund basis:	107%	95%
"Buy-out" basis:	79% <sup>d</sup>	71%
Estimated FRS17 basis	104% <sup>d</sup>	89%
Recommended Employer's contribution rate (as % of pensionable salaries):	16% <sup>e</sup>	21.5% <sup>e</sup>
Effective date of next valuation:	31/03/2011 <sup>a</sup>	31/03/2010

#### Notes:

- USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which are not expected to be finalised until December 2011, with publication of the final results in 2012.
- In the light of the considerable swings in markets since the valuation date, the nature of the demographic and financial assumptions used in the ongoing and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the small ongoing funding surplus should be carried forward to the next valuation.
- OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £43.2m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.

## 6 PENSION SCHEMES

Notes:

- d. Since 31 March 2005, the financial security of USS has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 103% at 31 March 2008. This fluctuation is due to the volatility of investment returns and gilt yields (used to value scheme liabilities) compared to the rates assumed at 31 March 2005. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2008 was above 104% and on a buy out basis was approximately 79%.
- e. The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

### iii Sensitivity of actuarial valuation assumptions

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities	
		USS	OSPS
Valuation rate of interest	increase/decrease by 0.5%	decrease / increase by £2.2bn	decrease / increase by £30m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £20m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £7m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m

### iv Pension charge for the year

The pension charge recorded by the College during the accounting period was equal to the contributions payable as follows:

Scheme	2009 £000's	2008 £000's
Universities Superannuation Scheme	201	195
University of Oxford Staff Pension Scheme	324	245
Other Schemes - contributions	7	17
Total:	532	457

**MERTON COLLEGE**  
**Notes to the Financial Statements**  
**Year ended 31 July 2009**

**7 ANALYSIS OF EXPENDITURE**

	Staff costs	Depreciation	Other operating expenses	2009 Total	2008 Total
	£000's	£000's	£000's	£000's	£000's
Academic	2,084	0	927	3,011	2,899
Residences, catering and conferences	1,885	0	1,419	3,304	2,968
Premises	279	683	774	1,736	1,658
College administration	381	13	317	711	621
Endowment management	192	10	311	513	511
Fundraising	200	0	123	323	239
Other	148	0	141	289	222
	<u>5,169</u>	<u>706</u>	<u>4,012</u>	<u>9,887</u>	<u>9,118</u>
Contribution under Statute XV				205	20
<b>Total expenditure</b>				<u>10,092</u>	<u>9,138</u>

Other operating expenses include auditors' remuneration:  
in respect of the audit of these financial statements  
in respect of other services

10	10
3	0

**8 SURPLUS FOR THE YEAR**

	2009	2008
	£000's	£000's
College's surplus/(deficit) for the year	(756)	696
Surplus generated by the subsidiary undertakings	1,406	566
	<u>650</u>	<u>1,262</u>

**9 TANGIBLE FIXED ASSETS**

CONSOLIDATED AND COLLEGE

	Land and buildings	Equipment and motor vehicles	Total
	Freehold		Total
	£000's	£000's	£000's
<b>Cost</b>			
At start of year	18,891	1,037	19,928
Additions	1,470	138	1,608
Disposals	0	(50)	(50)
At end of year	<u>20,361</u>	<u>1,125</u>	<u>21,486</u>
<b>Depreciation</b>			
At start of year	5,414	475	5,889
Charge for period	582	124	706
Disposals	0	(45)	(45)
At end of year	<u>5,996</u>	<u>554</u>	<u>6,550</u>
<b>Net book value</b>			
At end of year	<u>14,365</u>	<u>571</u>	<u>14,936</u>
At start of year	<u>13,477</u>	<u>562</u>	<u>14,039</u>



**MERTON COLLEGE**  
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**9 TANGIBLE FIXED ASSETS**

The College owns residential property in central Oxford forming an inalienable part of an estate of buildings which are used for functional purposes. The property is used alternately for College or University purposes and for third-party rental, and in some cases is let on long-term secured tenancy, and is not classified as endowment. The income from the property in the year ended 31 July 2009 was £191,000 (2008 £210,000), which is included in operating income. This property is more than 50 years old and is included in tangible fixed assets at nil value.

**10 FIXED ASSET INVESTMENTS**

	COLLEGE	
	2009 £000's	2008 £000's
Investments at start and end of year, stated at cost.		
Subsidiary undertakings	76	76

The College owns 100% of the issued share capital of Merton Enterprises Limited, a company incorporated in England and Wales. The principal business activity of Merton Enterprises Limited is to undertake merchandise sales.

**11 ENDOWMENT ASSET INVESTMENTS**

**CONSOLIDATED AND COLLEGE**

	Securities and cash £000's	Land and property £000's	Total £000's
<b>At market value</b>			
At start of year	77,243	67,929	145,172
Purchases at cost	39,700	1,102	40,802
Sales proceeds	(28,862)	(394)	(29,256)
Increase in cash held by fund manager	(8,908)	0	(8,908)
Revaluation losses	(7,667)	(2,825)	(10,492)
At end of year	<u>71,506</u>	<u>65,812</u>	<u>137,318</u>
Analysed as			
Fixed interest stocks (listed)	8,906		
Equities (listed)	34,243		
Index linked securities (listed)	6,116		
Private equity funds	11,807		
Property funds	687		
Absolute return funds	1,003		
Multi-asset funds	5,007		
Cash	3,737		
	<u>71,506</u>		
Historical cost at end of year	<u>61,209</u>		

Estates land and property valuations as at 31 July have been made by the College Land Agent, a Chartered Surveyor, in consultation with an independent firm of Chartered Surveyors, the basis of valuation being market valuation. In a small number of cases valuations have been made solely by the Land Agent, the basis of valuation being market valuation.

**MERTON COLLEGE**  
**Notes to the Financial Statements**  
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**12 DEBTORS**

	CONSOLIDATED		COLLEGE	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Amounts falling due within one year				
Trade debtors	391	402	391	402
Amounts owed by College members	48	35	48	35
Loans	18	17	18	17
Prepayments and accrued income	590	507	589	506
Amounts falling due after more than one year				
Loans	149	163	149	163
	<u>1,196</u>	<u>1,124</u>	<u>1,195</u>	<u>1,123</u>

**13 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR**

	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Trade creditors	326	263	326	263
College Contribution	212	212	212	212
Taxation and social security	125	128	125	128
Accruals and deferred income	346	364	346	364
Other creditors	114	144	114	144
	<u>1,123</u>	<u>1,111</u>	<u>1,123</u>	<u>1,111</u>

**14 DEFERRED CAPITAL**

CONSOLIDATED AND COLLEGE

At start of year	£000's	4,598
Transfer from designated reserves		55
Transfer from general reserves		900
New capital		278
Release of deferred capital contributions		(152)
<b>At end of year</b>		<u>5,679</u>

The balance on deferred capital represents donations received to finance the purchase of tangible fixed assets. Amounts are released to the income and expenditure account over the lives of the related assets on the same basis as the charge for depreciation.

The transfer from general reserves represents a grant from the Merton College Charitable Trust towards the cost of the construction of a lecture theatre in College grounds.

**MERTON COLLEGE**  
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**15 ENDOWMENTS**

CONSOLIDATED AND COLLEGE

	Specific £000's	General £000's	Total £000's
At start of year	4,416	140,756	145,172
Endowments received	1,872	0	1,872
Devaluation of endowment assets	(282)	(10,210)	(10,492)
Income receivable from endowment asset investments	166	4,179	4,345
Transfer to income and expenditure account	(141)	(4,179)	(4,320)
Transfer from designated reserves	641	0	641
Transfer from general reserves	100	0	100
<b>At end of year</b>	<b>6,772</b>	<b>130,546</b>	<b>137,318</b>

Endowments comprise those funds which are regarded as for the long term and which fundamentally underpin and sustain the operation of the College at its desired level of activity.

Specific Endowments are those bequests and gifts where the use of the capital and income, or only the income, is for a specific purpose or activity so designated by the donor and which can only be used for that purpose or activity.

General Endowments represent the corporate capital of the College and include bequests and gifts where the use of the capital and income, or only the income is for the general purposes of the College. Part of these funds may have been designated for a particular purpose by the Governing Body.

**16 RESERVES**

**DESIGNATED RESERVES**

	CONSOLIDATED £000's	COLLEGE £000's
At start of year	282	0
Transfer to deferred capital	(55)	0
Transfer to specific endowments	(641)	0
Transfer from general reserves	843	0
<b>At end of year</b>	<b>429</b>	<b>0</b>

Designated reserves comprise donations to the Merton College Charitable Trust for designated purposes, and interest earned on those donations. Donations and interest earned during the year are included in the consolidated income and expenditure account and transferred from general to designated reserves or specific endowments accordingly.

**GENERAL RESERVES**

	CONSOLIDATED £000's	COLLEGE £000's
At start of year	11,780	11,162
Surplus from income and expenditure account	650	(756)
Transfer to designated reserves	(843)	0
Transfer to specific endowments	(100)	0
Transfer to deferred capital	(900)	0
<b>At end of year</b>	<b>10,587</b>	<b>10,406</b>

	CONSOLIDATED		COLLEGE	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Representing:				
Undepreciated cost of tangible fixed assets less deferred capital financed out of general reserve	9,257	9,441	9,257	9,441
General reserve	1,330	2,339	1,149	1,721
	<b>10,587</b>	<b>11,780</b>	<b>10,406</b>	<b>11,162</b>

**MERTON COLLEGE**  
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**17 CAPITAL COMMITMENTS**

CONSOLIDATED AND COLLEGE	2009 £000's	2008 £000's
Commitments contracted at 31 July		
Tangible fixed assets	3,626	193

**18 FINANCIAL COMMITMENTS**

In June 2009 the College was granted a loan facility of up to £4,000,000 by Barclays Bank plc secured on a College property in Oxfordshire. The rate of interest has been fixed at 4% per annum until December 2013, after which date the rate may float or be fixed again for a further period, or further periods. The loan may be drawn down as to £2,000,000 by December 2009 and the remaining £2,000,000 by June 2010, and may be redeemed in part or in full at any time prior to the final repayment date in June 2019. The purpose of the loan is to finance the construction of a new lecture theatre in College grounds.

**19 POST BALANCE SHEET EVENTS**

There are no material events occurring after the date of the balance sheet where disclosure is deemed to contribute to a proper understanding of the financial position.

**20 CONTINGENT LIABILITIES**

There are no obligations arising from events occurring before the date of the balance sheet whose existence will be confirmed only by the occurrence of events not wholly within the College's control.

**21 RELATED PARTY TRANSACTIONS**

There are no material transactions undertaken by the College with a related party as defined in Financial Reporting Statement 8 "Related Party Disclosures" that require to be disclosed.

**22 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH**

	2009 £	2008 £
Surplus for the year	650	1,262
Depreciation	706	672
Profit on disposal of fixed assets	(1)	0
Release of deferred capital contributions and transfers from deferred capital	(152)	(139)
Endowment income and interest receivable	(4,373)	(5,025)
Decrease in stocks	24	36
Decrease in debtors	(72)	178
Decrease in creditors	12	(167)
	<u>(3,206)</u>	<u>(3,183)</u>

**23 ANALYSIS OF CHANGES IN NET FUNDS**

	2009 £	Changes £	2008 £
Cash at bank and in hand	1,521	(898)	2,419
Endowment assets cash	3,737	(8,896)	12,633
	<u>5,258</u>	<u>(9,794)</u>	<u>15,052</u>

Changes in net funds include a positive exchange conversion adjustment of £13,000 on endowment assets cash balances.