

Merton College

Annual Report and Financial Statements

Year ended 31 July 2011

MERTON COLLEGE
Year ended 31 July 2011

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MEMBERS OF THE GOVERNING BODY

The members of the Governing Body, who are Fellows of the College, are the College's charity trustees. The members of the Governing Body who served in office during the year or at the date of this Report are detailed below.

		1	2	3	4
Ian Abel	(appointed 1 October 2010)				
Julia Amos	(appointed 1 October 2011)				
David Al-Attar	(appointed 1 October 2010)				
Professor Judith Armitage					
Dr Rhiannon Ash			•		
Douglas Bamber		•	•		
Dr Alan Barr			•	•	
Dr Heather Bell	(resigned 29 March 2011)				
Dr Giles Bergel	(resigned 30 September 2011)				
Professor James Binney					
Dr Kathryn Blackmon		•	•		
Dr Rebecca Bullard	(resigned 31 August 2010)				
Aisling Byrne	(appointed 1 October 2011)				
Dr Richard Callaghan					
Dr Roderick Campbell	(appointed 1 October 2010, resigned 31 July 2011)				
Dr Michele Ceriotti	(appointed 1 October 2011)				
Dr Paul Chamberlain		•			
Mindy Chen-Wishart			•		
Professor Kieran Clarke	(resigned 30 September 2011)				
Professor Artur Ekert					
Professor Gail Fine					
Dr Joseph Fitzsimons	(resigned 30 September 2010)				
Professor Jonathan Flint					
Grace Garland	(resigned 6 February 2011)		•		
Dr Karl Gerth			•		
John Gloag		•			
Professor Guy Goodwin					•
Professor Véronique Gouverneur			•		
Dr Daniel Grimley			•		
Dr Matthew Grimley			•		
Professor Timothy Guilford			•		
Dr Steven Gunn		•	•	•	
Dr Kirstin Gwyer					
Professor Peter Holland					
Professor Emily Holmes	(appointed 1 October 2011)				
Professor Simon Hooker			•		
Luuk Huitink					
Dr Nicholas Jones	(appointed 1 October 2011)		•		
Revd. Dr Simon Jones			•	•	
Professor Michael Keith					
Patrick Lantschner	(appointed 1 October 2011)				
Dr Maria Lasonen-Aarnio	(resigned 31 August 2010)		•		
Professor Irene Lemos					
Dr Rachel Mairs	(resigned 30 September 2011)				
Professor Richard McCabe			•	•	
Dr Katherine McClune	(resigned 30 September 2011)		•		
Dr Thomas MacFaul	(appointed 1 October 2011)		•		
Dr Ian MacIachlan		•	•		
Dr Robert Metcalfe					

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Professor Anthony Monaco	(resigned 31 July 2011)				
Professor Alan Morrison		•	•		
Professor Peter Neary					•
Professor David Norbrook					•
Professor Béla Novák					
Professor Luke Ong			•		
Dr Christoph Ortner	(resigned 31 August 2011)				
Dr Martins Paparinskis	(appointed 1 October 2010)				
Dr Alison Parkin					
Professor David Paterson			•		
Dr Catherine Paxton	(appointed 1 October 2011)		•		
Jennifer Payne			•		
Bridget Penman	(appointed 1 October 2011)				
Sydney Penner	(appointed 1 October 2010)				
Dr Sarah Percy			•		
Dr Jonathan Prag		•	•		
Professor Dame Jessica Rawson	(resigned 30 September 2010)	•	•	•	
Dr Christopher Rodgers					
Professor Suzanne Romaine					
Professor David Rueda			•		
Dr Alexander Schekochihin			•		
Professor Alexander Scott			•		
Dr Hannah Skoda	(resigned 30 September 2010)				
Professor Timothy Softley			•	•	
Dr Morag Stewart	(resigned 30 April 2011)				
Dr Péter-Dániel Szántó	(appointed 1 October 2010)				
Christine Taylor					•
Professor Sir Martin Taylor	(appointed 1 October 2010)	•	•	•	
Dr Jonathan Thacker			•		
Dr Patricia Thornton			•		
Professor Ulrike Tillmann			•		
Dr Joshua Walden	(resigned 30 September 2011)				
Dr Julia Walworth			•	•	
Dr Trudy Watt	(appointed 9 November 2010, resigned 31 August 2011)		•		
Clifford Webb		•	•	•	
Professor Ralph Wedgwood			•		
Dr Michael Whitworth			•		
Professor Sir Andrew Wiles	(appointed 1 October 2011)				
Professor Katherine Willis	(appointed 1 October 2010)				
Professor Simon Wrenn-Lewis			•		
Professor Boris Zilber		•			

During the year, the major activities of the Governing Body were carried out through four main committees. The membership of these committees is shown above for each Fellow.

1 Finance Committee. Up to three additional members of the Finance Committee are not members of the Governing Body.

2 Academic Committee.

3 Development Committee. Up to six additional members of the Development Committee, including two student members, are not members of the Governing Body.

4 Remuneration Committee. The Chair of the Remuneration Committee and one of its members are not members of the Governing Body.

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COLLEGE SENIOR STAFF

The senior staff of the College, to whom day to day management is delegated, are as follows:

Professor Sir Martin Taylor	Warden
Dr Steven Gunn	Sub Warden
Douglas Bamber	Domestic Bursar
John Gloag	Land Agent and Estates Bursar
Revd. Dr Simon Jones	Chaplain
Dr Catherine Paxton	Senior Tutor
Christine Taylor	Development Director
Dr Julia Walworth	Librarian
Clifford Webb	Finance Bursar

COLLEGE ADVISERS

Investment managers

Legal & General, One Coleman Street, London EC2R 5AA

Schroder & Co. Limited, 100 Wood Street, London EC2V 7ER

Investment consultant

Cambridge Associates, 80 Victoria Street, London SW1E 5JL

Auditor

Critchleys LLP, Greyfriars Court, Paradise Square, Oxford OX1 1BE

Bankers

Barclays Bank plc, Oxford City, 54 Cornmarket Street OX1 3HB

Charities Aid Foundation, Kings Hill, West Malling, Kent ME19 4TA

Solicitors

Hewitsons, 7 Spencer Parade, Northampton NN1 5AB

Mills & Reeve, 112 Hills Road, Cambridge CB2 1PH

Surveyors

Savills, Wytham Court, 11 Westway, Oxford OX2 0QL

Other

Peninsula Business Services, 2 Cheetham Hill Road, Manchester M4 4FB

College address

Merton Street, Oxford OX1 4JD

Website

www.merton.ox.ac.uk

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REPORT OF THE GOVERNING BODY

Under the Charities Act 1993, the Governing Body presents its Annual Report for the year ended 31 July 2011 together with the audited financial statements for the year.

REFERENCE AND ADMINISTRATIVE INFORMATION

Merton College is a charitable corporation founded as a self-governing community of scholars first in Malden, Surrey, and then in Oxford, by Walter of Merton, Lord Chancellor of England and Bishop of Rochester, with royal consent under statutes dated 1264 and 1274. The full legal name of the College is 'The Warden and Scholars of the House or College of Scholars of Merton in the University of Oxford'. The term 'Fellows' latterly replaced 'Scholars', and the Fellows together with the Warden, who is the head of the College, comprise the Governing Body of the College. The College registered with the Charities Commission on 15 November 2010 (registered number 1139022). Prior to that date the College was an exempt charity under section 3(5a) of the Charities Act 1993, as listed in Schedule 2(b) to that Act.

The names of all members of the Governing Body at the date of this report and of those in office during the year, together with details of the senior staff and advisers of the College, are given on pages 2 to 4.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing documents

The College is governed by its Statutes approved by Privy Council and dated 30 April 1926 and subsequently amended.

Governing Body

The Governing Body is constituted and regulated in accordance with the College Statutes, the terms of which are enforceable ultimately by the Visitor, who is the Archbishop of Canterbury. The Governing Body is self-appointing, and membership is subject to review and renewal every seven years and lapses with retirement from office.

The Governing Body determines the ongoing strategic direction of the College and regulates its administration and the management of its finances and assets. It meets regularly under the chairmanship of the Warden and is advised by four main committees and twenty ancillary or subsidiary committees.

Recruitment and training of members of the Governing Body

New Fellows are elected to the Governing Body on the basis of their knowledge of and contribution to education, learning and research within the College and the University of Oxford, or on the basis of their possession of professional and administrative qualifications and skills that will enable them to advise and assist other members of the Governing Body.

Recommendations concerning appointments to Fellowships are made to the Governing Body by committees convened specifically for the purpose and chaired by the Warden. Appointment committees include expert members recruited from outside the College, and academic appointments may be made by joint process with a faculty or department of the University of Oxford.

New members of the Governing Body are inducted into the workings of the College, including Governing Body policy and procedures, by the senior staff of the College, are provided written reference material explaining their roles and may attend external trustee training and information courses to keep them informed on current issues in the sector and on regulatory requirements.

Organisational management

The Governing Body meets at least nine times a year. The work of developing and monitoring the implementation of its policies is mostly carried out by four Committees, described below.

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Finance Committee

The Committee is responsible for advising the Governing Body on all matters concerning finance, financial administration, investment, accounting and risk management. The Committee is also responsible for the administration of the terms and conditions of employment of non-academic staff (the Remuneration Committee is responsible for academic staff, and employment issues may also be considered by the Equality Committee). The Committee is chaired by the Warden and has fourteen members, including up to three members with relevant skills who are not members of the Governing Body and including the College Accountant. It meets at least six times each year. There is also a subsidiary investment advisory group whose three members have relevant professional skills and experience and who are not members of the Governing Body.

Academic Committee ('Warden and Tutors Committee')

The Committee has delegated authority to make and enforce regulations on all matters concerning students, including their academic work, welfare, recreational use of College facilities, and disciplinary matters. The Committee reports to the Governing Body its decisions on all matters of principle on these topics, and makes recommendations to the Governing Body on other relevant matters, including material changes to the range and focus of educational activities. The Committee is chaired by the Warden and its more than thirty members include the Senior Tutor, the subject Tutors, the Bursars, the Librarian, the Chaplain and the Academic Administrator. The Committee meets at least twelve times each year. Subsidiary committees are responsible for considering student discipline, teaching needs, access and schools liaison, and student support and welfare.

There are also Committees for the Election of Graduate Scholars and Junior Research Fellows, and a Committee on Research, all reporting directly to the Governing Body.

Development Committee

The Committee is responsible for the oversight and co-ordination of fund-raising activities undertaken by the College, for the recommendation of policy on fund-raising, and for the consideration of matters concerning the external relations of the College. The Committee is chaired by the Warden and has fourteen members, including the Development Director, two student representatives and three other members with relevant skills and experience who are not members of the Governing Body. It meets at least three times each year.

Remuneration Committee ('Committee on Stipends and Allowances')

The Committee is responsible for making recommendations to the Governing Body concerning the remuneration and benefits of any member of the Governing Body who is employed by the College, or any College Officer who is not a member of the Governing Body. There are up to six members of the Committee, no member of the Committee may be an employee of the College, and the chair and up to two other members may not be members of the Governing Body. The Committee usually meets once annually or otherwise as required.

Other Committees

Apart from the main committees, there are committees devoted to specific areas of College life including Buildings, Chapel, Computer Services, Library, Sports and domestic arrangements. There are student representative members on most of these committees.

The day-to-day running of the College is delegated to the Warden, supported by the Sub Warden, Senior Tutor, Tutors, Bursars, Chaplain, Librarian and Development Director. The Warden attends meetings of nearly all the Governing Body's Committees.

Group structure and relationships

The College administers many special funds as detailed in the notes to the financial statements.

The College has a wholly owned non-charitable subsidiary, Merton Enterprises Limited, whose annual profits are donated to the College under the Gift Aid Scheme. The trading activities of Merton Enterprises comprise letting of the College facilities and merchandise sales.

Merton College Charitable Trust (registration number 1078622) makes grants to the College from donations received for College purposes. The trustees include both members of the Governing Body of the College and

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third parties. Consideration is being given to the winding up of the Trust, given that the College is now also a registered charity.

The College is part of the collegiate University of Oxford. Material interdependencies between the University and the College arise as a consequence of this relationship.

Risk management

The College is engaged in risk assessment on an ongoing basis. When it is not able to address risk issues using internal resources, the College takes advice from experts external to the College with specialist knowledge. Policies and procedures within the College are reviewed by the relevant College Committee, chaired by the Warden or the relevant officer. Financial and investment risks are assessed by the Finance Committee. The Domestic Bursar and staff heads meet regularly to review health and safety issues. Training courses and other forms of career development are available, where required or when requested, to members of staff to enhance their skills in risk-related areas.

The Governing Body, which has ultimate responsibility for managing risk, has given consideration to the major risks to which the College and its subsidiaries are exposed and has concluded that adequate systems are in place to manage these risks. It is recognised that systems can provide only reasonable assurance that major risks have been managed.

OBJECTIVES AND ACTIVITIES

Charitable Objects and Aims

The College's Objects are, for the public benefit, to advance religion, education, learning and research through the provision of a college in Oxford or elsewhere.

The College's aims for the public benefit are to achieve the highest outcomes in education, learning and research at national and international level.

The aims for the College's subsidiary are to help finance the achievement of the College's Objects.

Activities and objectives of the College

The College's principal activity is the advancement of education and learning, through provision of teaching and educational support to approximately 600 resident undergraduate and graduate students who have been admitted as members of the College and who are engaged on a course of studies leading to the award of a degree in the University of Oxford, through the appointment or employment of Fellows and academic staff who are actively engaged in research, through the provision of accommodation and support facilities and through the provision of research grants to Fellows and students.

Public benefit

The Governing Body intends that the benefits of education and learning provided by the College should be available to the widest possible range of suitably qualified candidates, irrespective of background, and takes careful note of the guidance provided by the Charity Commission on public benefit, the advancement of education and fee-charging.

To this end, the College participates with the University of Oxford and other colleges and institutions in Oxford in an access bursary scheme to provide financial assistance to eligible home undergraduate students, see <http://www.ox.ac.uk/feesandfunding/prospectiveugrad/university/oob/> for details of the Oxford Opportunity Bursary Scheme.

In order to encourage applications from excellent students who might not otherwise consider applying for admission to the College, the College employs a schools liaison officer and operates an outreach programme, including schools visits, visits to the College, open days and provision of information, to establish and maintain contact with schools, school teachers and students.

The College retains a team of welfare and medical advisers, who provide support and confidential counselling to students and staff who are distressed or who have special needs, and who may authorise grants and funding for referrals for specialist professional treatment or advice.

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Students are provided with opportunities to contribute to College policies and practices, through participation in College committees, through formal and informal interaction with College Officers and Fellows, and through voluntary surveys and assessment processes.

The College operates a student support fund which may be used to make grants to any student in financial hardship, including grants to supplement funding shortfalls and grants for special academic needs.

The College provides scholarship funds to graduates and makes grants to all students for books and equipment and travel and other research related activities.

The College provides residential accommodation for approximately 300 undergraduates and 160 graduates.

The Equality Committee comprises seven members drawn from the Governing Body, four student members, four staff members and one external member. The Committee considers and makes recommendations concerning equality in all aspects of College life, including admission of students and student provision and progress, as well as employment issues.

The College is open to the public throughout the year. There is a small admission charge. Chapel services are also open to the public as well as College members.

ACHIEVEMENTS AND PERFORMANCE

Undergraduate students

305 students were enrolled for undergraduate degree courses at the University of Oxford during the year. Of these 279 were of UK/EU origin and 26 from overseas, 178 were studying humanities and social sciences and 127 were studying mathematics, medicine and physical sciences.

90 undergraduates held College scholarship during the year. 87 undergraduates were awarded College prizes for good work in examinations, and 11 undergraduates were awarded prizes for other academic work. 13 undergraduates were awarded prizes by the University of Oxford.

85 undergraduates were entered for final honour schools examinations at the University of Oxford, 34 of them (40%) obtaining class 1 degrees, 48 (57%) obtaining class 2.1 degrees and 3 (3%) obtaining class 2.2 or 3 degrees, this being the strongest set of examination results for the year of any Oxford college as measured by the Norrington league table.

Further details of educational background, sex and course of study of candidates are contained in the following table:

	Class of degree				Total
	1	2.1	2.2	3	
Maintained schools	19 (40%)	28 (60%)	0 (0%)	0 (0%)	47
Independent schools	10 (35%)	17 (59%)	1 (3%)	1 (3%)	29
Overseas students	5 (56%)	3 (33%)	1 (11%)	0 (0%)	9
Male	22 (50%)	20 (45%)	2 (5%)	0 (0%)	44
Female	12 (29%)	28 (69%)	0 (0%)	1 (2%)	41
Humanities and social science	17 (35%)	31 (65%)	0 (0%)	0 (0%)	48
Mathematics and physical science	17 (46%)	17 (46%)	2 (5%)	1 (3%)	37

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Graduate students

247 graduate students were enrolled for research study leading to the DPhil degree at the University of Oxford during the year, of which 54 were studying humanities, 90 were studying mathematics and physical sciences, 43 were studying social sciences and 60 were studying medical sciences.

96 students were enrolled for other graduate degrees at the University of Oxford, including the EMBA/MBA, BCL/MJur, MSc., MSt., MPhil and PGC/PGD.

31 graduates were awarded DPhil degrees and 33 graduates were awarded other graduate degrees during the year.

10 graduates were elected to College scholarships and 5 graduates were awarded College prizes for good academic work during the year. 4 graduates were awarded prizes by the University of Oxford, with five prizes being awarded to one graduate and 3 prizes to another graduate.

57 articles authored or part authored by graduates of the College were published or accepted for publication during the year.

Bursaries, grants and prizes

Expenditure during the year at £695,152 in aggregate was as follows.

Undergraduates	
Oxford Opportunity Bursaries	£154,929
Prizes	£17,915
Scholarships	£14,267
Other grants	£35,225
Graduates	
Scholarships	£343,083
Research grants	£87,015
All students	
Student support and book grants	£42,718

Welfare and special needs

The annual cost of staff time (Chaplain, Senior Tutor, Academic Administrator, Nurse, Doctor and Welfare Dean) and other cost of welfare provision (including a contribution to the University Counselling Services) is of the order of £60,000. 57 students (9%) declared a disability to College medical and welfare advisers during the year.

Schools liaison

The College engaged in 60 schools liaison activities during the year, either by itself or in conjunction with the University of Oxford. These activities included visits to schools, visits to the College by groups of teachers, visits to the College by groups of students from age 14 and study days at the College for sixth formers, with the aim of raising awareness of degree options and teaching at Oxford in all constituencies at an early stage. By agreement with the University, the College is engaged particularly in strengthening links with schools in Dorset, the London Borough of Merton and Wiltshire. The annual cost of employing a schools liaison officer together with associated costs is of the order of £35,000.

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Library

Library costs for the year were £268,134, including £190,877 staff costs, £47,649 for book and journals purchases and £13,901 for conservation work. Approximately £6,000 was expended on improving electronic and other access to the Library's collections for students and scholars.

Fellows

Professor Dame Jessica Rawson retired as Warden on 30 September 2010 and Professor Sir Martin Taylor was appointed Warden on 1 October 2010.

Professor Anthony Monaco resigned on 31 July 2011 on taking up his appointment as President of Tufts University.

5 fixed term career development Junior Research Fellowships in Chinese Archaeology, Geology, Law, Oriental Studies and Physics were awarded during the year.

6 fixed term career development Junior Research Fellows resigned to take up appointments in Archaeology, English, Music, Philosophy and Quantum Technologies at Brown University, Harvard University, Johns Hopkins University, the University of Michigan, the University of Reading and the National University of Singapore.

Employment costs of Research Fellows were £287,907 for the year.

112 books and articles authored or part authored by Fellows of the College were published or accepted for publication during the year.

Research grants of £31,515 were made to Fellows during the year.

The academic Fellows on the College's Governing Body included twenty-four Mathematical, Physical and Life Scientists, twenty-four scholars in the Humanities, twelve in the Social Sciences and seven in the Medical Sciences. Four are Fellows of the Royal Society, two are Fellows of the British Academy and one was awarded the Dirac Medal of the Institute of Physics. Two Supernumerary Fellows, not being members of the Governing Body, were elected Fellows of the Academy of Medical Sciences. Of the Emeritus Fellows, who have retired from the Governing Body, two are Fellows of the Royal Society, three Fellows of the British Academy and one won the James Tait Black Memorial Prize for biography. The research interests of Fellows are described further at http://www.merton.ox.ac.uk/fellows_and_research/fellows.shtml

Choral Foundation

The Merton Choral Foundation was founded in 2008 under the directorship of Peter Phillips and Benjamin Nicholas, supported by a lead benefaction by the Reed Foundation and many other gifts, including ongoing support from the recently instigated Friends of the Choir. A complement of 18 choral scholars (which will be expanded up to 24 if sufficient funds are raised) and 2 organ scholars has now been recruited, enabling the Choir to give public performances during the year in Cambridge and Tewkesbury, and in France and the United States, as well as fulfilling its core function to accompany public services and give public performances in the College Chapel.

Costs of the Choral Foundation and Directors of Music were £106,328 for the year. A special grant of £30,961 was received from the Reed Foundation to cover the cost of the United States Tour.

Capital projects

Building work on the T S Eliot Theatre was completed in April 2010 and an official opening ceremony, attended by Valerie Eliot and the Chancellor of the University of Oxford, was held in March 2011. The Theatre, which can accommodate up to 140 people, provides the College with large scale presentation and teaching facilities that were previously lacking. The building is carefully integrated into its surroundings and has the benefit of up to date technology and energy conservation measures. A large part of the building cost incurred to date, £4,573,465, has been met from donations, £3,413,806.

A new frontage and other improvements to 19 Merton Street have been constructed at a cost to date of £748,069. The building (erected in 1964, and whose external appearance had been the subject of public criticism) has been extended, modified and integrated into its surroundings, and its carbon footprint has been reduced.

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Fundraising

The College launched its 750th Anniversary Campaign *Sustaining Excellence* at the Drapers' Hall, London on 24 May 2011, where 300 members of the College and friends heard a keynote speech by Lord Rees on *The Future of Education*. The campaign fundraising target of £30 million (of which approximately one half had been raised by the time of the launch) has three objectives: to endow academic posts that are threatened by withdrawal of public funding; to endow a student support fund to meet the costs of student bursaries, scholarships and grants in the new financial landscape; and to invest in College infrastructure including new technology and energy conservation.

During the year the College received over £4 million in new endowments, including £1,226,932 to endow the Peter Braam Fellowship and Scholarship in Human Wellbeing, £663,012 towards the student support fund and £1,061,334 towards the endowment of Fellowships in English, Economics and History. A bequest of £652,034 was received from the estate of Douglas Algar to fund a Fellowship or Scholarship and a bequest of £120,000 from the estate of John Barton to endow a Law Scholarship. The College also received donations of £1,348,146 for College buildings and unrestricted donations of £402,157.

FINANCIAL REVIEW

Total incoming resources for the year, £15,186,623, were £2,701,973 higher than the preceding year, nearly all accounted for by an increase of £2,640,477 in legacies and donations. Resources from charitable activities were £11,159 higher and trading income was £195,427 higher, but investment income was £142,989 lower. Investment income yield, at 2.5%, is currently a full 1% lower than the target rate of expenditure from investments and, subject to adoption of the appropriate change to the College Statutes, the Governing Body intends to adopt a total return accounting policy at the earliest practicable date.

Total resources expended, £11,439,657, were £612,001 higher than the preceding year, nearly all the increase being accounted by teaching and research charitable activities. The increase in expenditure includes new activities and resources funded from new endowments and restricted funds, including the Choral Foundation, the Peter Moores Fellowship in Chinese Archaeology, the T S Eliot Lecture Theatre and a number of graduate scholarships.

The large inflow of legacies and donations made a major contribution to the surplus of £3,746,966, which, taken in conjunction with investment gains of £13,272,815, lifted total funds and assets from £170,980,284 to £188,000,065.

Reserves policy

The College's reserves policy is to maintain sufficient free reserves to enable it to meet its financial obligations in the event of an unexpected revenue shortfall and to provide a buffer that would ensure uninterrupted services.

The College's free reserves at the year-end amounted to £2,496,524, representing retained unrestricted, undesignated funds not represented by fixed assets.

Investment policy, objectives and performance

The College's investment objectives are to balance current and future needs by:

- maintaining or increasing the value of the investments in real terms;
- producing a consistent and sustainable income to support expenditure; and
- delivering these objectives within acceptable levels of risk.

To meet these objectives the College's investments as a whole are managed on a total return basis, maintaining diversification across a range of asset classes in order to produce an appropriate balance between risk and return. The College does not use a fixed formal benchmark but compares performance with a wide range of investment indices and investor performance data. The College has made a number of direct and indirect investments that have explicit or implicit Socially Responsible objectives, but has not adopted a formal SRI policy. Investment strategy, policy and performance are monitored by the Finance Committee.

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At the year end, the College's aggregate long term investments totalled £171,014,881, the composition of which is shown in the notes to the financial statements.

The overall total investment return net of all expenses was 11.2% for the year, which compares to 13.1% for the MSCI £ World Index, 6.7% for the FTSE British Government All Stock Index and 8.9% for the IPD UK index.

Over the five years 2007-2011, total net cumulative College investment returns were 45.1% which compares to 24.3% for the MSCI £ World Index, 33.7% for the FTSE British Government All Stock Index and -4.3% for the IPD UK index.

FUTURE PLANS

The Governing Body has considered how it can continue to achieve the highest outcomes in education, learning and research at national and international level, and will incorporate current projects and future decisions in a size and shape plan to be drawn up in 2012.

The last size and shape plan, drawn up in 2004-2006, provided for an expansion of student residential accommodation, and increase in graduate student admissions, and the creation of new fixed term career-development Fellowships, with both research and teaching obligations, in subjects where there was a teaching need. The new plan will respond to dramatic changes in the financial situation that have arisen in the past five years.

Admissions

Undergraduate applicants to Oxford are selected by the individual colleges working within a common framework to ensure that the same standards apply consistently across subjects see further http://www.admissions.ox.ac.uk/news/common_framework.shtml

Merton's overall application numbers increased by 9%, at 521, compared to 478 last year. Application numbers were up as a whole across the University by 1.2%.

Amongst applicants to Merton College, the success rate for males (16%) was lower than for females (18%), a reversal of last year's situation. The success rate for those from independent schools (24%) was higher than for state schools (20%). State school males had the lowest success rate.

In comparison with applications across Oxford, the College is attracting a relatively high percentage of state school candidates (48%) and a markedly lower proportion of candidates from independent schools (20%) with the number of applicants falling in other categories being higher than average. In the last cycle, Merton attracted a lower proportion of female candidates, 45%, in comparison with the University average of 49%, although this is not consistent with the trend in earlier years.

Data on ethnicity is not available to the College through the UCAS or Oxford application forms. Analysis is undertaken by the University Admissions Office retrospectively on behalf of all colleges.

34 applicants declared a disability and 5 of these received an offer.

Postgraduate applicants are assessed by the relevant department or faculty and all those admitted are guaranteed a college place. During 2010-11 the College considered 367 dossiers for 102 available places in October 2011

The new financial framework for higher education shifts the burden from state financing to student fees. A key objective of the 750th Anniversary Campaign *Sustaining Excellence* is to build an endowment for student support of at least £2 million (of which £1.25 million has already been raised) and to attract more funding for graduate scholarships.

However, although financial support will be vital both to attract UK students (especially those from low income households) to university, and to compete against overseas universities currently offering superior financial aid, it will require more than just provision of bursaries and scholarships to recruit the best students from the widest possible range of backgrounds. Therefore, in the UK, the College plans to build on its schools liaison programs, and aims to appeal to all constituencies by improving and enhancing web-based and electronic

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media and communications. The College will also extend and develop its recruitment of graduate scholars collaboratively with the academic faculties of the University of Oxford.

Fellows

Commencing October 2011 the College has appointed a Tutor in Mathematics, a fixed term Research Fellow in Medicine, a fixed term teaching Fellow in English, fixed term career development Fitzjames Research Fellows in English and Philosophy, and 4 fixed term career development Junior Research Fellows in Biology, Chemistry, Global Wellbeing and History.

The College has agreed to engage in collaborative fundraising with the Humanities division of the University of Oxford to permanently endow Fellowships in English and Philosophy.

Choral Foundation

Funds are being raised to commission compositions for a Merton Choirbook in connection with the College's 750th anniversary in 2014, and compositions by Matthew Martin and John Taverner have already been completed.

Capital projects

A project to create residential accommodation and access to communal buildings for students with disabilities has recently been completed at cost of approximately £100,000.

Reduction of energy consumption is a serious challenge, given the antiquity and physically diffuse nature of College buildings. A number of projects including alternative energy supplies and improved thermal insulation have been considered or are under consideration.

A rolling project to install wireless internet throughout the College at an estimated cost of £150,000 commenced during the summer of 2011 and will be completed within twelve months.

Trading income

The T S Eliot Lecture Theatre provides the College with first class facilities that are attractive to third party users. Merton Enterprises has been able to broaden its customer base through proactive marketing of these facilities, and conference income has increased by in excess of 50% compared to the prior year, a significant step towards the objective of at least doubling income within five years.

STATEMENT OF ACCOUNTING AND REPORTING RESPONSIBILITIES

The Governing Body is responsible for preparing the Report of the Governing Body and the financial statements in accordance with applicable law and regulations.

Charity law requires the Governing Body to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the Governing Body must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the College and of its net incoming or outgoing resources for that period. In preparing these financial statements, the Governing Body is required to:

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

The Governing Body is responsible for keeping proper accounting records that are sufficient to show and explain the College's transactions and disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the College and ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Governing Body on 2 November 2011 and signed on its behalf by:

Warden

MERTON COLLEGE
Year ended 31 July 2011

INDEPENDENT AUDITOR'S' REPORT TO THE MEMBERS OF THE GOVERNING BODY OF MERTON COLLEGE

We have audited the financial statements of Merton College for the year ended 31 July 2011 which comprise the Statement of Accounting Policies, the Consolidated Statement of Financial Activities, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 29. 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 in accordance with section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and its Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governing Body and auditor

As explained more fully in the Statement of Accounting and Reporting Responsibilities, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 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 the 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 charity'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. We read all the information in the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 July 2011 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

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 Report of the Governing Body is inconsistent in any material respect with the financial statements; or

MERTON COLLEGE
Year ended 31 July 2011

- sufficient accounting records have not been kept by the parent charity; 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.

Critchleys LLP
Statutory Auditor
Oxford

Date

Critchleys LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

STATEMENT OF ACCOUNTING POLICIES

1. Scope of the financial statements

The financial statements present the Consolidated Statement of Financial Activities (SOFA), the Consolidated and College Balance Sheets and the Consolidated Cash Flow Statement comprising the consolidation of the College with its wholly owned subsidiary Merton Enterprises Limited and with the Merton College Charitable Trust. No separate SOFA has been presented for the College alone as permitted by paragraph 397 of the Charities SORP 2005. The results of the subsidiary, as included the consolidated income, expenditure and results of the College, is disclosed in note 13.

2. Basis of accounting

The financial statements have been prepared under the Charities Act 2006 and in accordance with the Statement of Recommended Practice on Accounting and Reporting by Charities issued in 2005 ("the Charities SORP") and applicable accounting standards. The financial statements are drawn up on the historical cost basis of accounting as modified by the revaluation of investment properties and other investments.

3. Incoming resources from fee income, HEFCE support and other charges for services

Fees receivable, HEFCE support and charges for services and use of the premises, less any scholarships, bursaries or other allowances granted by the College, but including contributions received from restricted funds, are accounted for in the period in which the related service is provided.

4. Incoming resources from donations and legacies

Voluntary income is accounted for when the College has entitlement to the funds, the amount can be reliably quantified and there is reasonable certainty of its ultimate receipt.

Voluntary income received for the general purpose of the College is credited to unrestricted funds.

Voluntary income which is subject to specific wishes of the donor is credited to the relevant restricted fund or, where the donation, grant or legacy is required to be held as capital, to the endowment funds. Where donations are received otherwise than in cash, they are valued at the market value of the underlying assets received at the date of receipt.

5. Investment income

Interest on bank balances and fixed interest securities is accounted for in the period to which the interest relates.

Dividend income and similar distributions are accounted for in the period in which they become receivable.

Income from investment properties is accounted for in the period to which the rental income relates.

6. Expenditure

Expenditure is accounted for on an accruals basis. Indirect expenditure is apportioned to expenditure categories based on the estimated amount attributable to that activity in the year, either by reference to staff time or the use made of the underlying assets, as appropriate. Irrecoverable VAT is included with the item of expenditure to which it relates.

Grants awarded are expensed as soon as they become legal or operational commitments.

Governance costs comprise the costs of complying with constitutional and statutory requirements.

Intra-group sales and charges between the College and its subsidiaries are excluded from trading income and expenditure.

MERTON COLLEGE

Year ended 31 July 2011

7. Leases

Rentals payable under operating leases are charged in the SOFA on a straight line basis over the relevant lease terms.

8. Tangible fixed assets

Expenditure on the acquisition, construction or enhancement of land and buildings costing more than £5,000 together with expenditure on equipment costing more than £5,000 is capitalised and carried in the balance sheet at historical cost.

Other expenditure on equipment incurred in the normal day-to-day running of the College and its subsidiaries is charged to the Statement of Financial Activities as incurred.

9. Depreciation

Depreciation is provided to write off the cost of all relevant tangible fixed assets, less their estimated residual value, in equal annual instalments over their expected useful economic lives as follows:

Freehold properties, including major extensions	50 years
Leasehold properties	50 years or period of lease if shorter
Building improvements	20 years
Equipment	5 to 10 years

Freehold land is not depreciated. The cost of maintenance is charged in the Statement of Financial Activities in the period in which it is incurred.

10. Investments

Investment properties are valued as individual investments at their market values as at the balance sheet date. Purchases and sales of investment properties are recognised on exchange of contracts.

Listed investments are valued at their mid-market values as at the balance sheet date. Investments such as private equity funds which have no readily identifiable market value are included at the most recent valuations from their respective managers.

Gains and losses arising on the investments are credited or charged to the Statement of Financial Activities and are allocated to the appropriate Fund according to the "ownership" of the underlying assets.

11. Stocks

Stocks are valued at the lower of cost and net realisable value, cost being the purchase price on a first in, first out basis.

12. Foreign currencies

Transactions denominated in foreign currencies during the year are translated at prevailing rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates applying at the Balance Sheet date or, where there are related forward foreign exchange contracts, at the contract rates. The resulting exchange differences are taken to the Statement of Financial Activities.

13. Fund accounting

The total funds of the College and its subsidiaries are allocated to unrestricted, restricted or endowment funds based on the origins of the funds and the terms set by the donors. Endowment funds are further sub-divided into permanent and expendable.

MERTON COLLEGE

Year ended 31 July 2011

Unrestricted funds can be used in furtherance of the objects of the College at the discretion of the Governing Body. The Governing Body may decide that part of the unrestricted funds shall be used in future for a specific purpose and this will be accounted for by transfers to appropriate designated funds.

Restricted funds comprise gifts, legacies and grants where the donors have earmarked funds for specific purposes. They consist of *either* gifts where the donor has specified that both the capital and any income arising must be used for the purposes given *or* the income on gifts where the donor has required that the capital be maintained and the income used for specific purposes.

Permanent endowment funds arise where donors specify that the funds should be retained as capital for the permanent benefit of the College. Any income arising from the capital will be accounted for as unrestricted funds unless the donor has placed restrictions on the use of that income, in which case it will be accounted for as a restricted fund.

Expendable endowment funds are similar to permanent endowment in that they have been given, or the College has determined based on the circumstances that they have been given, for the long term benefit of the College. However, the Governing Body may at their discretion determine to spend all or part of the capital.

14. Pension costs

The costs of retirement benefits provided to employees of the College through two multi-employer defined pension schemes are accounted for as if these were defined contribution schemes in accordance with the requirements of FRS 17. The College's contributions to these schemes are charged in the period in which the salaries to which the contributions relate are payable.

Merton College
Consolidated Statement of Financial Activities
For the year ended 31 July 2011

	Notes	Unrestricted Funds £000's	Restricted Funds £000's	Endowment Funds £000's	2011 Total £000's	2010 Total £000's
INCOMING RESOURCES						
Resources from charitable activities	1					
Teaching and research		4,759	0	0	4,759	4,748
Resources from generated funds						
Legacies and donations		402	1,247	3,919	5,568	2,928
Trading income	2	519	0	0	519	323
Investment income	3	3,954	380	0	4,334	4,477
Bank and other interest	4	6	0	0	6	8
		<u>4,881</u>	<u>1,627</u>	<u>3,919</u>	<u>10,427</u>	<u>7,736</u>
Total Incoming Resources		<u>9,640</u>	<u>1,627</u>	<u>3,919</u>	<u>15,186</u>	<u>12,484</u>
RESOURCES EXPENDED						
Cost of generating funds	5					
Fundraising		382	0	0	382	354
Trading expenditure		408	0	0	408	264
Investment management costs		0	0	555	555	650
		<u>790</u>	<u>0</u>	<u>555</u>	<u>1,345</u>	<u>1,268</u>
Charitable activities	5					
Teaching and research		9,746	328	0	10,074	9,542
Governance costs	8	20	0	0	20	17
Total Resources Expended		<u>10,556</u>	<u>328</u>	<u>555</u>	<u>11,439</u>	<u>10,827</u>
Net incoming/(outgoing) resources before transfers		(916)	1,299	3,364	3,747	1,657
Transfers between funds	17	1,348	(1,348)	0	0	0
Net incoming/(outgoing) resources before other gains and losses		<u>432</u>	<u>(49)</u>	<u>3,364</u>	<u>3,747</u>	<u>1,657</u>
Investment gains		0	2	13,271	13,273	15,311
Net movement in funds for the year		<u>432</u>	<u>(47)</u>	<u>16,635</u>	<u>17,020</u>	<u>16,968</u>
Fund balances brought forward	17	16,390	468	154,122	170,980	154,012
Funds carried forward at 31 July	17	<u>16,822</u>	<u>421</u>	<u>170,757</u>	<u>188,000</u>	<u>170,980</u>

Merton College
Consolidated and College Balance Sheets
As at 31 July 2011

	Notes	2011 Group £000's	2010 Group £000's	2011 College £000's	2010 College £000's
FIXED ASSETS					
Tangible assets	10	18,325	18,084	18,325	18,084
Property investments	11	84,333	75,382	84,333	75,382
Securities and other investments	12	86,682	78,773	86,758	78,849
		189,340	172,239	189,416	172,315
CURRENT ASSETS					
Stocks		198	186	194	175
Debtors	14	1,311	1,184	1,300	1,184
Cash at bank and in hand		2,550	2,585	1,878	1,799
		4,059	3,955	3,372	3,158
CREDITORS: falling due within one year	15	1,399	1,214	1,394	1,213
NET CURRENT ASSETS		2,660	2,741	1,978	1,945
TOTAL ASSETS LESS CURRENT LIABILITIES		192,000	174,980	191,394	174,260
CREDITORS: falling due after more than one year	16	4,000	4,000	4,000	4,000
NET ASSETS		188,000	170,980	187,394	170,260
FUNDS OF THE COLLEGE					
	17				
Endowment funds		170,757	154,122	170,686	153,971
Restricted funds		421	468	329	214
Unrestricted funds					
General funds		9,507	9,719	9,064	9,404
Building project fund		7,315	6,671	7,315	6,671
		188,000	170,980	187,394	170,260

The financial statements were approved and authorised for issue by the Governing Body of Merton College on 2 November 2011

Trustee:

Trustee:

Merton College
Consolidated Cash Flow Statement
For the year ended 31 July 2011

	Notes	2011 Group £000's	2010 Group £000's
Net cash outflow from operations	23	<u>(3,369)</u>	<u>(3,003)</u>
Returns on investments and servicing of finance			
Income from investments and bank interest		4,340	4,485
Finance costs paid		(243)	(114)
		<u>4,097</u>	<u>4,371</u>
Capital expenditure and financial investment			
New endowment capital received		3,919	1,199
Payments for tangible fixed assets		(1,095)	(3,988)
Proceeds from sales of tangible fixed assets		0	12
Payments for investments		(35,256)	(5,233)
Proceeds from sales of investments		33,882	4,105
		<u>1,450</u>	<u>(3,905)</u>
Financing			
New bank loans		0	4,000
		<u>0</u>	<u>4,000</u>
Increase in cash in the year		<u>2,178</u>	<u>1,463</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		2,178	1,463
Increase in loan finance		0	(4,000)
Change in net funds		<u>2,178</u>	<u>(2,537)</u>
Net funds at 1 August		2,722	5,259
Net funds at 31 July		<u>4,900</u>	<u>2,722</u>

Merton College
Notes to the financial statements
For the year ended 31 July 2011

1 INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted Funds £000's	Restricted Funds £000's	Endowment Funds £000's	2011 Total £000's	2010 Total £000's
Teaching and research					
Tuition fees - UK and EU students	1,065	0	0	1,065	1,124
Tuition fees - Overseas students	537	0	0	537	497
Other fees	0	0	0	0	4
Higher Education Funding Council support	388	0	0	388	352
Other academic income	461	0	0	461	531
College residential income	2,308	0	0	2,308	2,240
	<u>4,759</u>	<u>0</u>	<u>0</u>	<u>4,759</u>	<u>4,748</u>

The above analysis includes £1,379,000 (2010 £1,389,000) received through Oxford University pooled funding arrangements, net of College fees received directly.

2 TRADING INCOME

	2011 £000's	2010 £000's
Subsidiary company trading income	67	0
Other trading income	452	323
	<u>519</u>	<u>323</u>

3 INVESTMENT INCOME

	Unrestricted Funds £000's	Restricted Funds £000's	Endowment Funds £000's	2011 Total £000's	2010 Total £000's
Agricultural rent	955	0	0	955	911
Commercial rent	1,390	0	0	1,390	1,336
Other property income	314	0	0	314	299
Equity dividends	698	380	0	1,078	1,101
Income from fixed interest stocks	526	0	0	526	793
Interest on fixed term deposits and cash	67	0	0	67	14
Other investment income	4	0	0	4	23
	<u>3,954</u>	<u>380</u>	<u>0</u>	<u>4,334</u>	<u>4,477</u>

4 BANK AND OTHER INTEREST INCOME

	Unrestricted Funds £000's	Restricted Funds £000's	Endowment Funds £000's	2011 Total £000's	2010 Total £000's
Bank interest	1	0	0	1	2
Other interest	5	0	0	5	6
	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>8</u>

Merton College
Notes to the financial statements
For the year ended 31 July 2011

5 ANALYSIS OF RESOURCES EXPENDED

	Direct staff costs £000's	Other direct costs £000's	Support costs £000's	2011 Total £000's	2010 Total £000's
Costs of generating funds					
Fundraising	233	139	10	382	354
Trading expenditure	0	408	0	408	264
Investment management costs	204	351	0	555	650
Total costs of generating funds	437	898	10	1,345	1,268
Charitable expenditure					
Teaching and research	4,840	3,457	1,777	10,074	9,542
Total charitable expenditure	4,840	3,457	1,777	10,074	9,542
Governance costs	0	20	0	20	17
Total resources expended	5,277	4,375	1,787	11,439	10,827

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 the Council of the University. The teaching and research costs include College Contribution payable of £210,000 (2010 £213,000).

6 SUPPORT COSTS

	Generating Funds £000's	Teaching and Research £000's	2011 Total £000's	2010 Total £000's
Financial and domestic administration	0	359	359	333
Human resources	0	34	34	30
IT	0	297	297	254
Depreciation	0	854	854	829
Profit on fixed assets	0	0	0	(1)
Bank interest payable	0	220	220	88
Other finance charges	10	13	23	26
	10	1,777	1,787	1,559

Finance and administration and personnel costs are allocated based on the estimated staff time spent on each of the activities. IT and depreciation costs are allocated based on the use made of the underlying assets. Interest and other finance charges are allocated based on the purpose of the related financing.

7 GRANTS AND AWARDS

	Unrestricted Funds £000's	Restricted Funds £000's	2011 Total £000's	2010 Total £000's
Scholarships, prizes and grants	452	50	502	578
Bursaries and hardship awards	156	38	194	214
	608	88	696	792

The above costs are included within the charitable expenditure on teaching and research.

8 GOVERNANCE COSTS

	2011 £000's	2010 £000's
Governance costs comprise:		
Auditor's remuneration - audit services	14	12
Other governance costs	6	5
	20	17

No amount has been included in governance costs for the direct employment costs or reimbursed expenses of the College Fellows on the basis that these payments relate to the Fellows' participation in the College's charitable activities. Details of the remuneration of Fellows and their reimbursed expenses are included as a separate note within these financial statements.

Merton College
Notes to the financial statements
For the year ended 31 July 2011

9 STAFF COSTS

The aggregate payroll costs for the year were as follows.	2011	2010
	£000's	£000's
Salaries and wages	4,521	4,366
Social security costs	309	296
Pension costs	600	650
Other benefits	156	107
	5,586	5,419

The average number of permanent employees of the College, excluding Trustees, on a full time equivalent basis was as follows.	2011	2010
Tuition and research	16	15
College residential	72	75
Fundraising	5	4
Support	8	7
Total	101	101

The average number of Trustees employed during the year was as follows.

University Lecturers	20	19
CUF Lecturers	8	9
Other teaching and research Fellows	16	14
Other Fellows	10	11
Total	54	53

The College also benefits from temporary staff, agency workers and part-time external tutors who are not on the College payroll.

Details of the remuneration and reimbursed expenses of the Trustees is included as a separate note in these financial statements. No employees (excluding the Trustees) received gross pay and benefits (excluding employer NI and pension contributions) exceeding £60,000 during the year.

10 TANGIBLE FIXED ASSETS

Group & College	Freehold land and buildings £000's	Fixtures, Fittings and Equipment £000's	Total £000's
Cost			
At start of year	24,146	1,299	25,445
Additions	993	102	1,095
At end of year	25,139	1,401	26,540
Depreciation			
At start of year	6,686	675	7,361
Charge for the year	704	150	854
At end of year	7,390	825	8,215
Net book value			
At end of year	17,749	576	18,325
At start of year	17,460	624	18,084

The College has substantial long-held historic assets all of which are used in the course of the College's teaching and research activities. These comprise listed buildings on the College site, together with their contents comprising works of art, ancient books and manuscripts and other treasured artefacts. Because of their age and, in many cases, unique nature, reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. However, in the opinion of the Trustees the depreciated historical cost of these assets is now immaterial.

Merton College
Notes to the financial statements
For the year ended 31 July 2011

11 PROPERTY INVESTMENTS

Group and College	Agricultural £000's	Commercial £000's	Other £000's	2011	2010
				Total £000's	Total £000's
Valuation at start of year	37,261	24,930	13,191	75,382	65,812
Additions and improvements at cost	1,226	279	127	1,632	2,666
Disposals net proceeds	(71)	136	(160)	(95)	(559)
Revaluation gains in the year	5,316	1,117	981	7,414	7,463
Valuation at end of year	43,732	26,462	14,139	84,333	75,382

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.

12 SECURITIES AND OTHER INVESTMENTS

	2011 £000's	2010 £000's		
Group investments				
Valuation at start of year	78,773	71,506		
New money invested	33,450	1,483		
Amounts withdrawn	(31,574)	(3,147)		
Reinvested income	174	1,083		
Increase in value of investments	5,859	7,848		
Group investments at end of year	86,682	78,773		
Investment in subsidiaries	76	76		
College investments at end of year	86,758	78,849		
Group investments comprise:				
	Held outside the UK £000's	Held in the UK £000's	2011 Total £000's	2010 Total £000's
Equity investments	0	39,987	39,987	33,562
Global multi-asset funds	0	11,931	11,931	8,436
Fixed interest stocks	0	14,260	14,260	19,500
Alternative and other investments	9,058	5,096	14,154	13,138
Fixed term deposits and cash	0	6,350	6,350	4,137
Total group investments	9,058	77,624	86,682	78,773

13 SUBSIDIARY UNDERTAKINGS

The College holds 100% of the issued share capital in Merton Enterprises Limited, a company providing conference and other services on the College premises

The results of the subsidiary and its assets and liabilities at the year end were as follows.

	Merton Enterprises Limited £000's
Turnover	67
Expenditure	(42)
Donation to College under gift aid	(25)
Result for the year	0
Total assets	154
Total liabilities	(78)
Net funds at the end of year	76

The assets and liabilities of Merton College Charitable Trust are included in these consolidated financial statements. The Trust is a registered charity number 1078622 whose objects are to make grants in furtherance of the charitable activities of Merton College. The net assets of the Trust at 31 July were £606,000.

Merton College
Notes to the financial statements
For the year ended 31 July 2011

14 DEBTORS

	2011	2010	2011	2010
	Group	Group	College	College
	£000's	£000's	£000's	£000's
Amounts falling due within one year:				
Trade debtors	162	181	86	181
Amounts owed by College members	34	56	34	56
Amounts owed by Group undertakings	0	0	65	0
Loans repayable within one year	21	19	21	19
Prepayments and accrued income	964	794	964	794
Amounts falling due after more than one year:				
Loans	130	134	130	134
	1,311	1,184	1,300	1,184

15 CREDITORS: falling due within one year

	2011	2010	2011	2010
	Group	Group	College	College
	£000's	£000's	£000's	£000's
Trade creditors	374	196	374	195
Amounts owed to Group undertakings	0	0	8	0
Taxation and social security	183	137	170	137
College Contribution	212	212	212	212
Accruals and deferred income	436	493	436	493
Other creditors	194	176	194	176
	1,399	1,214	1,394	1,213

16 CREDITORS: falling due after more than one year

	2011	2010	2011	2010
	Group	Group	College	College
	£000's	£000's	£000's	£000's
Bank loans	4,000	4,000	4,000	4,000
	4,000	4,000	4,000	4,000

In June 2009 the College was granted a loan facility of up to £4,000,000 by Barclays Bank plc secured on 50 Benmead Road, a College property in Oxford. The loan represents 1600% of the value of the asset charged.

Merton College
Notes to the financial statements
For the year ended 31 July 2011

17 FUNDS OF THE COLLEGE MOVEMENTS

	At 1 August 2010 £000's	Incoming resources £000's	Resources expended £000's	Transfers £000's	Gains/ (losses) £000's	At 31 July 2011 £000's
Endowment Funds - Permanent						
General Endowment	145,359	0	(555)	0	12,928	157,732
Fellowship Funds:						
Mark Reynolds History Fellow	1,072	293	0	0	45	1,410
Peter Braam Research Fellow	271	877	0	0	3	1,151
Jessica Rawson Modern Asian History Fellow	493	91	0	0	22	606
English Fellow	0	562	0	0	0	562
Graduate Scholarship Funds:						
Ripplewood Japanese Scholar	496	0	0	0	21	517
Peter Braam Scholar	0	350	0	0	(4)	346
John Barton BCL Scholar	0	120	0	0	1	121
Reed Directors of Music	454	152	0	0	17	623
Other	13	0	0	0	1	14
	148,158	2,445	(555)	0	13,034	163,082
Endowment Funds - Expendable						
Fellowship Funds:						
Peter Moores Research Fellow in Chinese Archaeology	1,159	0	0	0	53	1,212
Dominic Welsh Mathematics Fellow	963	1	0	0	42	1,006
Douglas Algar Humanities Fellow	80	652	0	0	(15)	717
Economics Fellow	237	115	0	0	11	363
David Hay Medical Fellow	321	0	0	0	14	335
Graduate Scholarship and Student Prize Funds:						
James Jackson Natural Sciences Scholar	623	0	0	0	31	654
Merton Lawyers BCL/MJur Scholar	151	56	0	0	6	213
Monica Barnett Law Scholar	129	0	0	0	6	135
Other	74	0	0	0	4	78
Student Support Funds:						
Student Support	559	663	0	0	17	1,239
John Roberts	408	10	0	0	17	435
Thomas Bowman	241	0	0	0	13	254
Choral Foundation	474	57	0	0	21	552
Compassionate Fund	278	0	0	0	12	290
Fitzhenry Biomedical Research Fund	116	0	0	0	5	121
	5,813	1,554	0	0	237	7,604
Total Endowment Funds	153,971	3,999	(555)	0	13,271	170,686
Restricted Funds						
Building Projects	0	1,348	0	(1,348)	0	0
Fellowship Funds	21	205	(179)	0	0	47
Graduate Scholarships and Student Prize Funds	122	100	(43)	0	1	180
Student Support Funds	64	55	(40)	0	1	80
Choral Foundation	0	37	(37)	0	0	0
Other Funds	7	41	(26)	0	0	22
Total Restricted Funds	214	1,786	(325)	(1,348)	2	329
Unrestricted Funds						
General Funds	9,404	9,502	(10,546)	0	704	9,064
Building Project Fund	6,871	0	0	1,348	(704)	7,315
Total Unrestricted Funds	16,075	9,502	(10,546)	1,348	0	16,379
Total College Funds	170,260	15,287	(11,426)	0	13,273	187,394
FUNDS IN SUBSIDIARIES						
Endowment Funds	151	(80)	0	0	0	71
Restricted Funds	254	(159)	(3)	0	0	92
Unrestricted Funds	315	138	(10)	0	0	443
Total Subsidiary Funds	720	(101)	(13)	0	0	606
Total Consolidated Funds	170,980	15,186	(11,439)	0	13,273	188,000

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18 FUNDS OF THE COLLEGE DETAILS

The following is a summary of the origins and purposes of each of the Funds.

Endowment Funds - Permanent:

General Endowment Fund	Corporate capital, including founder's capital, whose income may be spent for general purposes.
Fellowship and Graduate Scholarship Funds	Donations made for perpetuity, whose income may be spent for the restricted purposes described.

Endowment Funds - Expendable:

Fellowship Funds Graduate Scholarship and Student Prize Funds: Student Support Funds Choral Foundation Compassionate Fund Fitzhenry Biomedical Research Fund	Donations made for the long term, whose income and capital may both be spent for the restricted purposes described.
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Restricted Funds:

Building Projects	Donations made for specific College building projects before completion. Funds are transferred to the Building Project Fund within Unrestricted Funds once the building has been completed.
Fellowship Funds Graduate Scholarships and Student Prize Funds Student Support Funds Choral Foundation Other Funds	Unspent income generated from the permanent and expendable endowments above and donations made for restricted purposes which the trustees may spend at their discretion.

The General Unrestricted Funds represent accumulated income from the College's activities and other sources that are available for the general purposes of the College. The Building Project Fund represents donations received for completed buildings. Each year this fund is reduced by the building depreciation charge, which is transferred to General Unrestricted Funds.

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £000's	Restricted Funds £000's	Endowment Funds £000's	Total £000's
Tangible fixed assets	18,325	0	0	18,325
Property investments	0	0	84,333	84,333
Securities and other investments	0	329	86,353	86,682
Creditors due after more than one year	(4,000)	0	0	(4,000)
Net current assets	2,497	92	71	2,660
	<u>16,822</u>	<u>421</u>	<u>170,757</u>	<u>188,000</u>

20 TRUSTEES' REMUNERATION

The Trustees of the College are the members of the Governing Body, primarily those Fellows who are employed to undertake teaching and research and who sit on Governing Body by virtue of their employment.

No Fellow receives any remuneration for acting as a Trustee. However, those Fellows who are also employees of the College receive salaries in respect their employment. In the case of teaching and research posts, salaries are set with reference to pay scales applying nationally within the higher education sector and within the University of Oxford. Salaries are determined in all cases by the Governing Body on the basis of recommendations made by the remuneration committee, whose composition is described in the Annual Report of the Governing Body.

Trustees of the College fall into the following categories:

- (i) The Warden, who is the Head of College and chairs meetings of the Governing Body and its committees;
- (ii) Official Fellows, who are elected to the office of Tutor, Bursar, Librarian, Chaplain, Development Director or other onerous office of the College;
- (iii) Professorial Fellows, who are senior members of the University of Oxford;
- (iv) Fixed-term research Fellows, who may be either junior career-development employees of the College, or senior academics who are not employed by the College.

College Officers and career-development research Fellows may be accommodated by the College. 33 Fellows were accommodated in houses, flats or rooms owned by the College during the year and a deduction was made from salary in these cases. Fellows who are eligible for accommodation but who are not accommodated are paid a housing allowance, which is included within the salary figures below.

Some Fellows receive allowances for work carried out as part-time College Officers, including the Sub Warden, student disciplinary officer and research supervisor. These amounts are included within the remuneration figures below.

The total remuneration and taxable benefits included below is £1,736,404 (2010 £1,660,071). The total of pension contributions is £238,134 (2010 £302,750).

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Remuneration paid to trustees

Range	Number of trustees/fellows	2011	Number of trustees/fellows	2010
		Gross remuneration, taxable benefits and pension contributions £		Gross remuneration taxable benefits and pension contributions £
£0-£999	-	-	2	1,507
£1,000-£1,999	2	2,629	-	-
£2,000-£2,999	1	2,656	-	-
£3,000-£3,999	1	3,233	1	3,925
£4,000-£4,999	4	18,064	3	13,576
£5,000-£5,999	1	5,221	1	5,018
£8,000-£8,999	-	-	1	8,500
£9,000-£9,999	1	9,174	-	-
£11,000-£11,999	-	-	1	11,879
£13,000-£13,999	1	13,649	-	-
£14,000-£14,999	-	-	2	29,274
£15,000-£15,999	4	61,535	6	94,150
£16,000-£16,999	4	65,945	-	-
£18,000-£18,999	2	37,129	1	18,789
£19,000-£19,999	1	19,696	1	19,525
£20,000-£20,999	3	61,206	1	20,237
£21,000-£21,999	2	42,582	1	21,923
£22,000-£22,999	3	67,103	4	89,698
£23,000-£23,999	4	92,654	1	23,083
£25,000-£25,999	1	25,801	2	51,024
£26,000-£26,999	-	-	2	52,882
£27,000-£27,999	-	-	3	82,028
£28,000-£28,999	1	28,651	-	-
£29,000-£29,999	1	29,385	1	29,103
£30,000-£30,999	-	-	1	30,514
£31,000-£31,999	1	31,835	2	63,417
£33,000-£33,999	2	67,514	-	-
£34,000-£34,999	1	34,325	1	34,752
£35,000-£35,999	1	35,535	1	35,104
£38,000-£38,999	1	38,450	-	-
£42,000-£42,999	-	-	1	42,611
£43,000-£43,999	3	131,117	1	43,497
£44,000-£44,999	1	44,984	3	132,503
£45,000-£45,999	1	45,422	1	45,069
£46,000-£46,999	1	46,095	-	-
£47,000-£47,999	-	-	2	94,411
£48,000-£48,999	1	48,578	-	-
£52,000-£52,999	-	-	1	52,150
£53,000-£53,999	1	53,014	-	-
£55,000-£55,999	1	55,224	-	-
£63,000-£63,999	-	-	1	63,623
£65,000-£65,999	1	65,329	1	65,563
£67,000-£67,999	1	67,669	-	-
£71,000-£71,999	1	71,678	1	71,154
£75,000-£75,999	-	-	1	75,733
£76,000-£76,999	2	152,987	-	-
£78,000-£78,999	1	78,271	2	156,756
£95,000-£95,999	-	-	1	95,329
£96,000-£96,999	1	96,024	-	-
£104,000-£104,999	-	-	1	104,307
£106,000-£106,999	1	106,249	-	-
£117,000-£117,999	1	117,925	-	-
£180,000-£180,999	-	-	1	180,207

19 Fellows were not employed by the College during the year and did not receive any remuneration. All Fellows, and all permanent employees of the College, are eligible for private health insurance. All Fellows may take meals in College, together with all employees, who are entitled to take meals while working.

Trustee expenses

No Fellow claimed any expenses for work as a trustee.

Other transactions with Trustees

There were no other transactions between the College and Fellows or related parties.

21 PENSION SCHEMES

1. 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 resources expended 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 otherwise be 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.

The College has also made available a Stakeholder Scheme for individual employees.

2. 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 (a)	31/03/2010
Date valuation results published	04/02/2009	30/06/2011
Value of liabilities	£28,135m	£394m
Value of assets	£28,842m	£312m
Funding surplus/(deficit)	£707m (b)	(£82m) (c)
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)	-	7.0% pa
Rate of interest (periods after retirement)	-	5.0% pa
Rate of increase in salaries	4.3% pa	4.7% pa
Rate of increase in pensions	3.3% pa	3.7% 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:		
Technical Provisions basis	103% (d)	79%
Statutory Pension Protection Fund basis	107%	86%
"Buy-out" basis	79% (d)	52%
Estimated FRS17 basis	104% (d)	77%
Recommended Employer's contribution rate (as % of pensionable salaries)	16% (e)	21.5% (c)
Effective date of next valuation	31/03/2011 (a)	31/03/2013

Notes

(a) 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.

(b) 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.

(c) OSPS' actuarial valuation as at 31 March 2010 identified a required long-term employer contribution rate of 18.2% of total pensionable salaries, but also a funding deficit of £82.4m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by continuing the employer contribution rate at the previously agreed rate of 21.5% of total pensionable salaries (this being the rate paid by the employer since 1 August 2008). The actuary has certified that the additional contribution should eliminate the deficit by 31 March 2027.

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(d) Since 31 March 2008, global investment markets have continued to fluctuate and the actuary has estimated the funding level of USS had fallen from 103% at 31 March 2008 to 91% (a deficit of £3,065m) at 31 March 2010. Compared to the previous 12 months, the funding level has improved from 74% as at 31 March 2009 to 91%. These estimates are based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). On the FRS17 basis, the actuary estimated that the funding level at 31 March 2010 was 80% and on a buy out basis was approximately 57%.

(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 and the Trustee company, on the advice of the actuary, implemented the increase from 14% to 16% on 1 October 2009. The USS Joint Negotiating Committee has discussed the funding position of the Scheme and has proposed a package of changes, including the admission of new members into a Career Average Revalued Earnings section, to be implemented with effect on 1 October 2011. The changes are required to ensure the future sustainability of the Scheme. Further details about the changes may be reviewed on USS' website, www.uss.co.uk.

3. 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 £35m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £25m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £5m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m

4. 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	2011	2010
	£000's	£000's
Universities Superannuation Scheme	236	303
University of Oxford Staff Pension Scheme	356	339
Other Schemes - contributions	8	8
Total:	<u>600</u>	<u>650</u>

22 TAXATION

The College is able to take advantage of the tax exemptions available to charities from taxation in respect of income and capital gains received to the extent that such income and gains are applied to exclusively charitable purposes. No liability to corporation tax arises in the College's subsidiary company because the directors of this company have indicated that they intend to make donations each year to the College equal to the taxable profits of the company under the Gift Aid scheme. Accordingly no provision for taxation has been included in the financial statements.

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23 RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH FLOW FROM OPERATIONS

	2011 £000's	2010 £000's
Net incoming resources for the year	3,747	1,657
Elimination of non-operating cash flows:		
- Investment income	(4,340)	(4,485)
- Endowment donations	(3,919)	(1,199)
- Financing costs	243	114
Depreciation	854	829
Surplus on sale of fixed assets	0	(1)
Increase in stock	(12)	(21)
Decrease/(Increase) in debtors	(127)	12
Increase in creditors	185	91
Net cash inflow/outflow from operations	(3,369)	(3,003)

24 ANALYSIS OF CHANGES IN NET FUNDS

	2010 £000's	Cash flow £000's	2011 £000's
Cash at bank and in hand	2,585	(35)	2,550
Endowment assets cash	4,137	2,213	6,350
	<u>6,722</u>	<u>2,178</u>	<u>8,900</u>
Bank loans due after one year	(4,000)	0	(4,000)
	<u>2,722</u>	<u>2,178</u>	<u>4,900</u>

25 FINANCIAL COMMITMENTS

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

26 CAPITAL COMMITMENTS

The College had contracted commitments at 31 July for current capital projects totalling £202,000 (2010 £153,250).

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27 RELATED PARTY TRANSACTIONS

The College is part of the collegiate University of Oxford. Material interdependencies between the University and of the College arise as a consequence of this relationship. For reporting purposes, the University and the other Colleges are not treated as related parties as defined in FRS8 ("Related party disclosures").

Members of the Governing Body, who are the trustees of the College and related parties as defined by FRS 8, receive remuneration and facilities as employees of the College. Details of these payments and reimbursed expenses as trustees are disclosed separately in these financial statements.

The following trustees had mortgage loans outstanding from the College at the start and/or end of the year.

	2011	2010
Professor J Armitage	28,347	31,444
Mr J Gloag	11,033	12,563
Professor P Holland	25,286	27,686
Professor D Norbrook	24,998	29,361
Dr J Walworth	36,644	39,103

Interest is charged on the above loans at 75% of the Santander mortgage rate for existing borrowers. All loans are repayable within 20 years or immediately in full when the Fellow demits from office, if earlier. The College has ceased to make loans on these terms.

The College has made equity housing loans to the following Fellows who are employees on the basis the capital sums repayable are linked to the value of the property on which the loan is secured. These loans are repayable in full when the Fellow demits from office and are classified as property investments in the balance sheet.

	2011	2010
Professor D Rueda	193,499	196,305
Dr P Thornton	316,364	320,952
Dr M Whitworth	116,876	118,571

28 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.

29 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.