



**DARWIN COLLEGE
CAMBRIDGE**

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

DARWIN COLLEGE
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

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PRELIMINARY INFORMATION

Body Corporate:

The Master and Fellows of Darwin College in the University of Cambridge

Address:

Silver Street, Cambridge CB3 9EU

Charity Registration Number:

1141105

Charity Trustees:

The College's Trustees for Financial Year 2017-18 were:

Professor C M R Fowler	Master
Professor M K Jones	Vice-Master
Dr D Needham	Dean
Mr J T Dix	Bursar
Professor M Akam	(from 1 October 2017)
Dr S Baker	
Professor R P Cowburn	
Professor A C Ferguson-Smith	
Professor A M Pitts	(to 30 September 2017)

Principal Advisers:

Auditors:

Peters, Elworthy & Moore

Salisbury House
Station Road
Cambridge CB1 2LA

Bankers:

Barclays Bank plc (Corporate Banking)

PO Box 885
Mortlock House
Histon, Cambridge CB4 9DE

Property Managers:

Cheffins, Chartered Surveyors

Clifton House
1 & 2 Clifton Road
Cambridge CB1 7EA

Investment Fund Managers:

Cazenove Capital Management Ltd

12 Moorgate
London EC2R 6DA

REPORT OF THE TRUSTEES

INTRODUCTION

The College

Darwin College was founded in 1964 as the first graduate college in the University of Cambridge. The College was created an Approved Foundation on 29 January 1965, and was incorporated by Royal Charter dated 9 June 1976 as a Body Politic and Corporate under the name and style of "The Master and Fellows of Darwin College in the University of Cambridge". The College is an educational charity. It enjoyed exemption from registration from its foundation until 2010 when changes in charity law required it to become registered with the Charity Commission, which it has been since 4 April 2011. The main College site is at Silver Street, Cambridge, CB3 9EU.

Aims and Objectives of the College

The College's principal object under its Charter is to advance education, learning and research in the University of Cambridge. It pursues this objective by:

- Promoting and fostering excellence in academic education and learning through providing a community of scholarship for its graduate students
- Creating and nurturing a vibrant and supportive research community for its fellows, graduate students, other members, and visitors.
- Maintaining and enhancing the endowment, benefactions, buildings, grounds, and facilities of the College for the continuing benefit of current and future generations of members.

The maintenance of the College's financial viability for the present and long term, and of its independence and autonomy within the collegiate university, are consistent with and necessary conditions for the fulfilment of its charitable purposes.

Public Benefit

The College provides, in conjunction with the University of Cambridge, an educational and support base for over 700 post-graduate students, and very occasionally undergraduate-status students in specific disciplines. The education under the Cambridge collegiate system is recognised internationally as being of the very highest standard. The teaching and research challenges and develops students academically, fosters leadership qualities and interpersonal skills, and prepares them to play full and effective roles in society, whether in the UK or in the 75 other countries from which the membership is currently drawn. Although only half a century old, the College already numbers Nobel prize winners amongst its Fellows and alumni, including most recently the joint award of the Nobel Prize for Chemistry in 2017 to Dr Richard Henderson.

In particular the College provides:

- Physical and technical facilities supporting its students in their individual study regimes, as well as supporting teaching activities in the wider University, and for seminars and a public lecture series of international renown;

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- Pastoral, administrative, and academic support for its students through the Deanery with tutoring and mentoring provided by Fellows; and
- Social, cultural, sporting, musical and recreational facilities, enabling students to balance fully their academic and personal lives, and develop their potential, whilst studying at the College.

The College advances research by:

- Providing currently over 25 research fellowships and over 50 post-doctoral positions to outstanding academics in the early stages of their careers; these appointments enable them to develop and focus intensively on their major doctoral and early post-doctoral research work, in that crucially formative period prior to their taking on academic duties in a full-time teaching post;
- Supporting the work of all its Fellows by creating and promoting international and interdisciplinary contact both informally and in seminars and lectures;
- Fostering academic networking, and access to and involvement in cutting-edge research, particularly by providing facilities for outstanding academics from other universities in the UK and overseas to make extended stays as Visiting Fellows and Visiting Researchers; and,
- Offering access to invaluable resources for all members of the College, particularly in the provision and maintenance of a Study Centre and Library, and extensive IT facilities.

Members of, and academic visitors to, the College, both students and Fellows, are the prime beneficiaries. They are directly engaged in education, learning and research and the College's students are the recipients of such direct financial support as the College is able to provide to those of limited financial means. More widely, other beneficiaries include students and academic staff from other Cambridge Colleges and the University of Cambridge. Academics from other higher-education institutions and returning alumni members of the College are given opportunities to undertake interdisciplinary research and establish contacts, attend educational events at the College, and make use of its academic facilities; in parallel, the wider public is encouraged to attend certain educational activities provided by the College such as lectures, seminars and concerts. These activities serve to reinforce and underpin life-long learning. A particular example is the Annual Darwin Lecture Series, now in its 33rd year, which runs for eight weeks each Lent Term, and attracts audiences of many hundreds drawn from the general public as well as the student and academic community. Since 2007 most of the lectures have been made available online for a global audience, and cumulative downloads to date exceed one million.

In fulfilling its charitable purposes of advancing education, learning and research, the College draws on its senior officers such as Master, Vice-Master, Dean, and Bursar who receive stipends. These serve with other Fellows as charity trustees through being members of the College Council. Other stipendiary senior officers include the Development Director. Any employment and remuneration of the Master and Fellows is undertaken with the intention of furthering the College's aims and such employment directly contributes to the fulfilment of those aims. The private benefit accruing to the Master and Fellows through stipends and related benefits is objectively reasonable, measured against academic stipends generally; moreover annual pay increases normally follow national settlements applying to the university sector. Without the services of its Master and Fellows, the College could not fulfil its charitable aims as a College in the University of Cambridge.

ACHIEVEMENTS AND PERFORMANCE

Academic Results and Student Body Profile

College members graduating in 2017-18 achieved 73 PhDs and 174 Masters-level degrees (2017: 102 and 175 respectively) between them.

In the academic year 2017-18 there were 710 student members of the College (for all or part of the year) (2017: 692). Of these 557 were fee-paying post-graduate students and 153 were post-graduate students writing up or under examination (from whom the College receives no fees). The College's fee income in the year, under current arrangements within the collegiate University, is based its number of fee-paying post-graduate students adjusted to a full-time equivalent, which for the year was 508. 56% of fee-paying students were fully funded and 3% partially funded as to their combined graduate fees from sources of which the University or College is aware; the balance were self-funded or funded from sources of which the College is not formally aware.

Financial Overview

The College's income comprises academic fees, charges for student accommodation and catering services, investment income, and individual and corporate donations and bequests. Its expenditure comprises the costs of education, of providing and maintaining student residences and catering, of investment and property management, and of development fundraising and alumni relations; and expenditure includes all staff costs and depreciation. In the 2017-18 year the College made an unrestricted surplus before other gains and losses of £565,872 (2017: £624,073), a restricted surplus before other gains and losses of £45,529 (2017: £1,780,837) and new endowments amounted to £106,264 (2017: £185,007).

The net assets of the College at 30 June 2018 were £71,989,043 (2017: £69,739,409).

The College's restricted and endowment reserves at 30 June 2018 were £25,706,496, having reduced by £489,810 in the year from £26,196,306 due mainly to the John Bradfield Court project progressing and the associated restricted gifts being utilised. The restricted reserves comprise £7,459,608 of restricted or trust funds for defined educational purposes, £46,165 unspent capital grants, and £18,200,722 of endowment funds or general corporate capital funds, the income from which is essential to fund the deficit which would otherwise arise on the College's academic activities and student services. The College's unrestricted reserves have increased by £2,739,444 to £46,282,547 from £43,543,103. This total includes the College's cash reserves and some investment assets, but the great majority of such funds are fixed assets in the form of the College's operational land and buildings. The College's total reserves are reduced by pension liabilities of £1,582,446.

In January 2018, the College raised a further £10million through a private placement. This is unsecured at a fixed rate of interest of 2.62% per annum with repayment in one amount after 40 years. This fixed funding will be used to invest in revenue generating operational assets for the College to house more of its students. At present, the College, together with two other Colleges and the University of Cambridge, is working on plans to develop the Old Press/Mill Lane site. These plans are now moving from the master planning stage to a more detailed design stage and, while it is not yet certain the development will ultimately proceed, the College believes the raising of long-term debt finance has given a degree of certainty for funding such a development. Should the Old Press/Mill Lane scheme not proceed for any reason, then the College would seek to acquire or develop other revenue generating operational assets close to the College.

Benefactions and Donations

The College is most grateful for donations and bequests (including of royalties), from alumni and from other supporters and organisations. This generosity enables the College to contemplate extending and enhancing its support for students, for academics, and for its physical estate. The 2017-18 year saw a successful conclusion to the fundraising for the John Bradfield Court project, and attention has moved on to studentships, to permanent funding for two particular research fellowships, as well as in the longer term, towards increasing the stock of student accommodation close to the College site. The current Development Director joined the College in June 2017, and has established structures for fundraising for major gifts and legacies. Over the course of the year, some £367,222 was raised, from a total of 233 individual donors, who have supported the College at a variety of levels. The College is immensely grateful to them for their support.

The College spent £197,316 (2017: £122,576) on fundraising and alumni relations in the year. These costs are incurred as the College supports a fast-growing – and global – community of alumni. Through the year, the College held some 25 events for alumni, both within Cambridge, elsewhere in the UK, and in five other countries; ensuring that its alumni community is connected with the College and is encouraged to share in and take a part in the furtherance of the College's aims and aspirations. The College also invests in communicating with alumni and other supporters, particularly through the College magazine, *The Darwinian*, as well as through electronic and social media.

Endowment and Investment Performance

The College's investments are managed in four categories: the College's unrestricted Corporate Capital, a Trust Pool for the restricted funds, a special fund with a property bias for the investment of the £3m proceeds of the College's 2013 bond issue, and a small execution-only fund created during the year for regulatory and other reasons. The £10m proceeds of the College's 2018 bond issue were invested after the year end, and both bond issue proceeds are invested pending their deployment for College purposes in due course.

The returns in the year on the College's invested funds were as follows: Corporate Capital 7.5%, the Trust Pool 6.6%, and the special fund 10.2%, in each case, net of fees. No withdrawal of invested capital was required or made in the year. Dividends and income received on quoted securities rose year on year to £935,916 (2017: £924,933). All investment income received is applied in the pursuit of the charitable objects of the College.

The College is advised, via the Finance (and Investments) Committee, by its fund managers and independent external members co-opted to the Committee. The College encourages socially responsible investment, monitors its investments against environmental, social and governance standards, and seeks not to invest in companies that are in conflict with its charitable objectives.

Reserves policy

The College intends to continue to pursue its objectives in perpetuity. It therefore aims to protect and maintain the real value of its permanent corporate and trust capital, and to continue to increase its unrestricted funds and reserves for the long term, whilst seeking an equitable funding balance between the interests and aspirations of present members and those yet to come, and also retaining an ability to cope with sudden unforeseen financial upheavals and to take advantage of unexpected

opportunities. Any new donations or bequests to the College are added to the unrestricted funds unless the donor has made it clear that the funds are to be used for a specific purpose.

The College's free reserves stood at the year end at £6,574,074, being its total unrestricted reserves of £46,282,547 less that part of those reserves committed to functional assets (represented by the total of its tangible fixed assets) of £39,708,473. The College seeks to ensure that its free reserves stand in excess of one year's expenditure at current levels, which test was satisfied for 2017-18.

Capital Expenditure

During the year the construction work associated with the John Bradfield Court project continued. The project comprises a compact new build multi-purpose facility, to be known as the Bradfield Room, behind the Old Granary and overlooking the adjacent lawn, and the much needed refurbishment and conservation of the Old Granary student accommodation. Completion of this work is expected in the 2018-19 year. In addition the conversion of 51 Newnham Road into 10 student rooms and associated facilities was undertaken during the year and completed for students to occupy for the start of the 2018-19 academic year.

Some minor refurbishment works and other projects have been capitalised in line with the fixed asset accounting policy, to the extent that they increase the expected future benefits to the College.

Building Renewals and Maintenance

The College's buildings on its main site are mainly eighteenth and nineteenth century with modern additions, and adapted houses and purpose-built student hostels off-domus. The buildings are maintained according to a comprehensive long term rolling maintenance plan which seeks to ensure timely refurbishment, to a standard to minimise unplanned and costly remedial works, carried out within tight budget controls.

Pensions

The College has members of staff in two pension schemes: the Universities' Superannuation Scheme (USS) and the Cambridge Colleges' Federated Pension Scheme (CCFPS). Full actuarial details are included at Note 22a to the Accounts.

The College had 15 active USS members at 30 June 2018, although many Fellows will be USS members though their employment by the University. The USS valuation as at 31 March 2017 is underway but not yet completed. The state of the scheme as revealed by this valuation (as initially made) was the cause during the year of much concern within the sector and ultimately of strike action, and the matter has been referred to a Joint Experts Panel for reassessment. The College is, taken apart from the University, a very small employer within the scheme, and this, combined with issues of conflict of interest for Fellows and Trustees, has meant that to-date the College has not taken any active part in consultations regarding the scheme.

The latest actuarial review of the CCFPS was produced as at 30 June 2018. The College has an overall deficiency of £1,505,081 as at that date compared to a deficiency of £1,459,000 as at 30 June 2017. The Employees' contribution rate is 5%. The College maintains a voluntary salary sacrifice scheme for those in the pension scheme.

Principal Risks and Uncertainties

The College reviews risks at a corporate level and at an operational level. Major risks to which the College is or may be exposed from time to time are reviewed regularly by all College committees within their terms of reference, and reported to College Council and Governing Body. Systems are in place, or are then established, to remove or mitigate major risks as they are identified. Operational risks are reviewed at a departmental level and appropriate procedures put in place to monitor and control such risks.

The main risks and uncertainties facing the College are:

- External political and economic threats to the continuing attractiveness of the University to the diverse global academic elite, whether as applicant students or as faculty;
- Economic factors which might adversely affect the College's sources of income, particularly endowment income, donations, fees and rents;
- The escalating costs of providing buildings and accommodation which is of suitable quality and in the best locations to meet the needs of students.

Plans for the future

The College faces two specific challenges as regards its students, firstly, how it can better support them, and secondly, in connection with accommodation. The College is seeking additional funding for our programme of bursaries and studentships, taking opportunities to fundraise against matching funding opportunities wherever possible. To improve the experience of its members, and ease the financial burden on them, the College continues to seek to house more students in College accommodation for more of their period of study in Cambridge.

The College's stock of student rooms has now been increased by 10 on the completion of the conversion of 51 Newnham Road. This hostel has a mix of ensuite and shared bathrooms, a common room, one large communal kitchen and a further College guest room. This addition follows on from the opening last year of Hardwick House, which added 26 ensuite rooms to the College's stock. The development of the Mount Pleasant scheme by St Edmund's College continues on track for opening at the start of the next academic year, and Darwin College plans to take on lease rooms and studios to accommodate a further 40 of its students.

The scheme for the redevelopment of the Old Press/Mill Lane area by the University and the Millers Yard consortium of Colleges has progressed with an outline Masterplan for the site being completed and presented in a public consultation. The Masterplan creates a framework in which planning applications can be based in due course. The University has a number of challenges in bringing about vacant possession of the site for the scheme to proceed and therefore timing for the construction of accommodation for the Colleges on the site is uncertain. On the College's part, both full commitment to the project financially and all the detailed design work, remain for the future. The scheme may provide the College with up to 120 rooms (a mix of leased and owned) on the town centre site in the College's immediate vicinity.

GOVERNANCE

Corporate Governance

The following statement is provided by the Trustees to enable readers of the financial statements to obtain a better understanding of the management of the College's resources and audit oversight.

The College is a registered charity (Registered Number 1141105) and subject to regulation by the Charity Commission for England and Wales. The College Council provides the trustees of the charity and they are responsible for ensuring compliance with charity law. The Trustees are advised in meeting those duties by a number of Committees, and internal and external professionally qualified advisers. Members of the College Council forming the Trustee Body during the year to 30 June 2018 are indicated at Page 1. The Principal Officers of the College are the Master, Vice-Master, Dean, and Bursar also identified on Page 1.

The Governing Body, comprising the Master and Fellows under Titles A, C, D, and E, holds at least six meetings a year, with the November/December meeting being the Annual Meeting.

The College Council comprises the Master, Vice-Master, Dean, and Bursar ex-officio, and four Fellows elected at Annual Meetings of the Governing Body. The current Student Association President attends ex-officio, and two further student members are elected directly by the student body each year. The College Council meets on a regular basis throughout the year and is responsible for the everyday administration of the College in all matters not allocated by Statute to the Governing Body or the Finance Committee. The College Council makes regular reports to each meeting of the Governing Body.

The Finance (and Investments) Committee, composed of the Master, Vice-Master, and Bursar ex-officio, and three Fellows elected by the Governing Body to serve from the beginning of a given academic year, manages the College investments and, with a directly elected student representative, controls and administers the revenues and expenditures in accordance with College Statutes, Ordinances, and the Charities Act. When acting as the Investment Committee, the membership is reinforced by up to three external members, and the College's investment managers are in attendance.

It is the specified duty of the Finance Committee to keep under constant review the effectiveness of the College's internal systems of financial and other controls; to advise the Trustees on the appointment of external auditors; to give initial consideration to reports submitted by the auditors; to monitor the implementation of recommendations made by the auditors; and to make periodic formal Reports to the Trustees and Governing Body.

Registers of Interests in a form prescribed by the College's Conflicts of Interest Policy are maintained for the Trustees, and Related Party forms are obtained from the Trustees and Heads of College Departments as part of the annual audit. The declaration of interests is a formal agenda item at the beginning of every College meeting.

Statement on Internal Control

The Trustees are responsible for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives while safeguarding public and other funds and assets for which the charity holds responsibility, in accordance with College Statutes and Ordinances, and the Charities Act 2006.

The systems of internal control are designed to identify the principal risks bearing on the achievement of aims, objectives and policies, to evaluate the nature and extent of those risks, and to ameliorate and control them efficiently, effectively and economically. The systems of internal control are structured realistically to identify and control most of the risks of failure to achieve aims, objectives

and policies, rather than attempt to eliminate risk entirely; it therefore provides reasonable, but not absolute, assurance of effectiveness. These processes were in place for the year ended 30 June 2018 and throughout the period to the date of approval of the financial statements.

The Trustees are responsible for reviewing the effectiveness of the systems of internal control. The Trustees' continual review of the effectiveness of the systems is informed by the work of the various Committees, the Bursar, and the College Officers who hold responsibility for the development and application of an internal control framework and for the investigation and resolution of any comments raised by the external auditors in their post audit and other reports.

General Responsibilities of the Trustees

The Trustees are responsible for the preparation of the Annual Report and financial statements in accordance with applicable law and having regard to United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a 'going-concern' basis, unless inappropriate to presume that the College would continue in operation.

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

Approved by the Trustees on 16 November 2018



J T Dix
Bursar

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF DARWIN COLLEGE

Opinion

We have audited the financial statements of Darwin College (the 'College') for the year ended 30 June 2018, which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 30 June 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Statutes of the University of Cambridge; and
- the contribution due from the College to the University has been correctly computed as advised in the provisional assessment by the University of Cambridge and in accordance with the provisions of Statute G,II, of the University of Cambridge.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

This report is made solely to the College trustees, as a body, in accordance with College's statutes, the Statutes of the University of Cambridge and the Charities Act 2011. Our audit work has been undertaken so that we might state to the College trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed

Peters Elworthy & Moore

PETERS ELWORTHY & MOORE
Chartered Accountants and Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date:

Peters Elworthy & Moore is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Date: *30 November 2018.*

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The Statement of Comprehensive Income and Expenditure includes activity analysis in order to demonstrate that all fee income is spent for educational purposes. The analysis required by the SORP is set out in note 6.

Basis of accounting

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

Recognition of income

Academic fees

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

Restricted grant income

Grants received from non-government sources (including research grants from non-government sources) are recognised within the Statement of Comprehensive Income and Expenditure when the College is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the College is entitled to the income. Income is retained within restricted reserves until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
3. Restricted expendable endowments – the donor has specified a particular objective and the College can convert the donated sum into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the College is entitled to the income.

Investment income and change in value of investment assets

Investment income and change in value of investment assets are recorded in income in the year in which they arise and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Other income

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

Tangible fixed assets

Land and buildings

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to 1 July 2014, the date of transition to SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years. The main College site land value is not included.

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

Furniture, Fittings and Equipment

Furniture, fittings and equipment in excess of £5,000 are capitalised and depreciated over their estimated useful lives.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Heritage assets

The College holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Under FRS 15 and FRS 30 (Heritage Assets) heritage assets acquired before 1 July 1999 may not be capitalised if reliable estimates of cost or value are not available on a cost-benefit basis, and acquisitions are otherwise capitalised at cost or, in the case of donated assets, at expert valuation on receipt. In line with the accounting policy in respect of equipment, the threshold for capitalising assets is £5,000. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Currently all of the assets held in the College's collections were acquired prior to 1 July 1999. As reliable estimates of cost or valuation are not available for these on a cost-benefit basis, they have not been capitalised. As a result no heritage assets have been included in the balance sheet.

Investments

Fixed asset investments are included in the balance sheet at fair value.

Stocks

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

Provisions

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

Contingent liabilities and assets

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

Taxation

The College is a registered charity (number 1141105) and also a charity within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the College is exempt from taxation in respect of income or capital gains received within the categories covered by Sections 478 to 488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

Contribution under Statute G, II

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

Pension costs

Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee- administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Cambridge Colleges Federated Pension Scheme (CCFPS)

The College participates in the Cambridge Colleges Federated Pension Scheme, a defined benefit scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the Scheme and are accounted for on the basis of providing pensions over the period during which the College benefits from the employees' services.

Critical accounting judgements

FRS 102 makes the distinction between a group pension plan and a multi-employer pension scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and

represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The trustees are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Endowment reserves include balances which, in respect of endowment to the College, are held as permanent funds, which the College must hold in perpetuity.

Restricted reserves include balances in respect of which the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

DARWIN COLLEGE
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STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Note	2018				2017			
		Unrestricted £	Restricted £	Endowment £	Total £	Unrestricted £	Restricted £	Endowment £	Total £
Income									
Academic fees & charges	1	1,784,676	-	-	1,784,676	1,591,224	-	-	1,591,224
Residences & catering	2	2,408,279	-	-	2,408,279	2,132,410	-	-	2,132,410
Endowment Income	3	791,223	216,003	-	1,007,226	794,804	228,371	-	1,023,175
Total income before donations & endowments		4,984,178	216,003	-	5,200,181	4,518,438	228,371	-	4,746,809
Donations		272,207	30,556	-	302,763	47,399	70,020	-	117,419
New endowments		-	-	51,264	51,264	-	-	4,007	4,007
Capital grant from Colleges Fund		-	-	55,000	55,000	-	-	181,000	181,000
Other capital grants for assets		-	78,858	-	78,858	-	1,714,129	-	1,714,129
Total income		5,256,385	325,417	106,264	5,688,066	4,565,837	2,012,520	185,007	6,763,364
Expenditure									
Education	4	1,860,887	279,888	-	2,140,775	1,597,053	231,683	-	1,828,736
Residences & catering	5	2,446,371	-	-	2,446,371	2,079,215	-	-	2,079,215
Other expenditure		383,255	-	-	383,255	265,496	-	-	265,496
Total Expenditure		4,690,513	279,888	-	4,970,401	3,941,764	231,683	-	4,173,447
Surplus/(Deficit) before other gains and losses		565,872	45,529	106,264	717,665	624,073	1,780,837	185,007	2,589,917
Gains/(Losses) on disposal of fixed assets		-	-	-	-	-	-	-	-
Gains/(Losses) on investments		412,393	95,667	963,191	1,471,251	817,026	242,290	1,633,886	2,693,202
Surplus/(Deficit) for the year		978,265	141,196	1,069,455	2,188,916	1,441,099	2,023,127	1,818,893	5,283,119
Other comprehensive income									
Unrealised surplus on revaluation of fixed assets		-	-	-	-	-	-	-	-
Actuarial (Loss) in respect of pension schemes		60,718	-	-	60,718	(240,818)	-	-	(240,818)
Total comprehensive income for the year		1,038,983	141,196	1,069,455	2,249,634	1,200,281	2,023,127	1,818,893	5,042,301

DARWIN COLLEGE
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STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure reserve			Total
	Unrestricted	Restricted	Endowment	
	£	£	£	£
Balance at 1 July 2017	43,543,103	4,490,097	21,706,209	69,739,409
Surplus/(Deficit) from income and expenditure statement	978,265	141,196	1,069,455	2,188,916
Other comprehensive income	60,718	-	-	60,718
Release of restricted capital funds spent in year	1,700,461	(1,700,461)	-	-
Balance at 30 June 2018	46,282,547	2,930,832	22,775,664	71,989,043

	Income and Expenditure reserve			Total
	Unrestricted	Restricted	Endowment	
	£	£	£	£
Balance at 1 July 2016	41,965,004	2,844,788	19,887,316	64,697,108
Surplus/(Deficit) from income and expenditure statement	1,441,099	2,023,127	1,818,893	5,283,119
Other comprehensive income	(240,818)	-	-	(240,818)
Release of restricted capital funds spent in year	181,078	(181,078)	-	-
Transfer of funds	196,740	(196,740)	-	-
Balance at 30 June 2017	43,543,103	4,490,097	21,706,209	69,739,409

DARWIN COLLEGE
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BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed Assets			
Tangible Assets	8	39,708,473	36,599,513
Investment Assets	9	<u>32,635,587</u>	<u>31,919,368</u>
		72,344,060	68,518,881
Current Assets			
Stock	10	50,322	40,771
Debtors	11	525,802	2,001,581
Cash	12	<u>14,687,073</u>	<u>4,311,295</u>
		15,263,197	6,353,647
Creditors	13	<u>(1,035,768)</u>	<u>(605,291)</u>
Net Current Assets/(Liabilities)		<u>14,227,429</u>	<u>5,748,356</u>
Creditors: more than one year	14	(13,000,000)	(3,000,000)
Provisions			
Pension provision	15	(1,582,446)	(1,527,828)
Net Assets		<u><u>71,989,043</u></u>	<u><u>69,739,409</u></u>
Restricted Reserves			
Income and expenditure reserve - endowment reserve	16	22,775,664	21,706,209
Income and expenditure reserve - restricted reserve	17	<u>2,930,832</u>	<u>4,490,097</u>
		25,706,496	26,196,306
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		<u>46,282,547</u>	<u>43,543,103</u>
		46,282,547	43,543,103
Total Reserves		<u><u>71,989,043</u></u>	<u><u>69,739,409</u></u>

These accounts were approved by the Trustees on 16 November 2018 and are signed on their behalf by:



.....
Professor C M R Fowler, Master

DARWIN COLLEGE
 ANNUAL REPORT AND ACCOUNTS
 FOR THE YEAR ENDED 30 JUNE 2018

CASH FLOW STATEMENT

	Note	2018 £	2017 £
Net cash inflow from operating activities	18	2,042,810	521,892
Cash flows from investing activities	19	(1,950,932)	(330,778)
Cash flows from financing activities	20	10,283,900	132,904
Increase/(Decrease) in cash and cash equivalents in the year		<u>10,375,778</u>	<u>324,018</u>
Cash and cash equivalents at beginning of the year		4,311,295	3,987,277
Cash and cash equivalents at end of the year	12	<u>14,687,073</u>	<u>4,311,295</u>

DARWIN COLLEGE
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NOTES TO THE ACCOUNTS

1 Academic fees and charges	2018	2017
	£	£
Colleges fees:		
Fee income received at the Regulated undergraduate rate	24,428	-
Fee income received at the Unregulated rate	6,300	32,016
Fee income received at the Graduate fee rate	1,750,660	1,559,208
Other income	3,288	-
Total	<u>1,784,676</u>	<u>1,591,224</u>
2 Income from Residences and Catering	2018	2017
	£	£
Accommodation College members	1,766,822	1,552,079
Catering College members	641,457	580,331
Total	<u>2,408,279</u>	<u>2,132,410</u>
3 Endowment return and investment income	2018	2017
	£	£
Income from:		
Land and buildings	33,942	78,211
Quoted securities	935,916	924,933
Other interest receivable	37,368	20,031
Total	<u>1,007,226</u>	<u>1,023,175</u>
4 Education expenditure	2018	2017
	£	£
Teaching	99,882	89,607
Tutorial	376,845	317,822
Admissions	503,526	423,980
Research	311,271	272,702
Scholarships and awards	275,967	222,122
Other educational facilities	573,284	502,503
Total (Note 6)	<u>2,140,775</u>	<u>1,828,736</u>

DARWIN COLLEGE
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5 Residences and Catering Expenditure	2018	2017
	£	£
Accommodation College members	1,373,913	1,146,337
Catering College members	1,072,458	932,878
Total (Note 6)	2,446,371	2,079,215

6a Analysis of 2017/2018 expenditure by activity

	Staff costs (note 7)	Other operating expenses	Depreciation	Total
	£	£	£	£
Education	994,715	964,790	181,269	2,140,774
Residences and catering	1,081,514	941,895	422,962	2,446,371
Other	61,844	321,412		383,256
Total	2,138,073	2,228,097	604,231	4,970,401

Expenditure includes fundraising costs of £197,316. This expenditure includes the costs of alumni relations.

6b Analysis of 2016/2017 expenditure by activity

	Staff costs (note 7)	Other operating expenses	Depreciation	Total
	£	£	£	£
Education	827,492	823,564	177,680	1,828,736
Residences and catering	925,689	738,940	414,586	2,079,215
Other	39,540	225,956	-	265,496
Total	1,792,721	1,788,460	592,266	4,173,447

Expenditure includes fundraising costs of £122,576. This expenditure includes the costs of alumni relations.

6c Auditors' remuneration	2018	2017
	£	£
Other operating expenses include:		
Audit fees payable to the College's external auditors	18,360	18,000

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7 Staff costs

	College Fellows	Academics	Non- Academic	2018 Total	2017 Total
	£	£	£	£	£
Staff costs:					
Emoluments	363,419	-	1,302,944	1,666,363	1,411,853
Social security costs	29,975	-	93,321	123,296	103,110
Other pension costs	56,986	-	291,428	348,414	277,758
	<u>450,380</u>	<u>-</u>	<u>1,687,693</u>	<u>2,138,073</u>	<u>1,792,721</u>
Average staff numbers (full-time equivalents):					
Academic				-	-
Non-academic				46	49
Total				<u>46</u>	<u>49</u>

The Trustees comprise 8 Fellows, of which 5 are stipendiary officers of the College and received remuneration in aggregate of £187,559. The Trustees receive no emoluments in their role as trustees of the charity.

DARWIN COLLEGE
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8 Fixed assets

Tangible fixed assets

	College Buildings and Site	Assets Under Construction	Fixtures, Fittings & Equipment	Motor Vehicles	2018 Total	2017 Total
	£	£	£	£	£	£
Cost or valuation						
At beginning of year	36,137,453	2,201,917	36,788	6,444	38,382,602	38,055,290
Transfer from investment assets	933,000	-	-	-	933,000	
Additions at cost	1,021,794	1,754,316	-	4,080	2,780,190	327,312
Disposal at cost	-	-	-	-	-	-
At end of year	<u>38,092,247</u>	<u>3,956,233</u>	<u>36,788</u>	<u>10,524</u>	<u>42,095,792</u>	<u>38,382,602</u>
Depreciation						
At beginning of year	1,766,091	-	16,783	215	1,789,089	1,190,823
Charge for the year	598,362	-	4,001	1,867	604,230	592,266
Written back on disposal	-	-	-	-	-	-
At end of year	<u>2,364,453</u>	<u>-</u>	<u>20,784</u>	<u>2,082</u>	<u>2,387,319</u>	<u>1,783,089</u>
Net book value						
At end of year	<u>35,727,794</u>	<u>3,956,233</u>	<u>16,004</u>	<u>8,442</u>	<u>39,708,473</u>	<u>36,599,513</u>
At beginning of year	<u>34,371,362</u>	<u>2,201,917</u>	<u>20,005</u>	<u>6,229</u>	<u>36,599,513</u>	<u>36,864,467</u>

The insured value of freehold land and buildings as at 30 June 2018 was £28,770,746 (2017: £27,664,544).

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9 Investments

	2018	2017
	£	£
Balance at beginning of year	31,919,368	28,199,525
Additions	2,717,059	7,228,165
Transfer to tangible assets	(933,000)	-
Disposals	(2,732,518)	(3,927,631)
Gain/(Loss)	1,347,146	2,361,603
Increase/(Decrease) in cash balances held at fund managers	<u>317,532</u>	<u>(1,942,294)</u>
Balance at end of year	<u>32,635,587</u>	<u>31,919,368</u>
Represented by:		
Property	894,897	1,826,697
Quoted securities - equities	24,870,624	23,510,130
Hedge Funds	1,110,781	1,106,435
Fixed interest securities	2,644,930	2,678,155
Cash in hand at investment managers	1,680,288	1,295,196
Multi-Asset Funds	664,945	674,435
Other	10,000	10,000
Portfolio funds	<u>759,122</u>	<u>818,320</u>
	<u>32,635,587</u>	<u>31,919,368</u>

10 Stocks

	2018	2017
	£	£
Goods for resale	50,322	40,771

11 Trade and other receivables

	2018	2017
	£	£
Members of the College	341,315	352,670
Other receivables	5,003	5,545
Prepayments and accrued income	179,484	1,643,366
	<u>525,802</u>	<u>2,001,581</u>

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12 Cash and cash equivalents

	2018	2017
	£	£
Short-term money market investments	1,052,723	1,670,089
Bank deposits	13,633,288	2,640,808
Current accounts	(1,836)	(1,883)
Cash in hand	2,898	2,281
	<u>14,687,073</u>	<u>4,311,295</u>

13 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	276,825	197,372
Members of the College	44,218	58,570
University fees	86,603	172,036
Other creditors	60,373	50,864
Accruals and deferred income	567,749	126,449
	<u>1,035,768</u>	<u>605,291</u>

14 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Private Placement	13,000,000	3,000,000

During 2013-14, the College borrowed from institutional investors, collectively with other Colleges, the College's share being £3 million. The loans are unsecured and repayable during the period 2043-2053, and are at fixed interest rates of approximately 4.4%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets and has been in compliance with the covenant at all times since incurring the debt.

During 2017-18, the College borrowed from institutional investors, collectively with two other Colleges, the College's share being £10 million. The loans are unsecured and repayable during 2058, and are at fixed interest rates of approximately 2.62%. The College has agreed a financial covenant of the ratio of Borrowings to Net Assets and has been in compliance with the covenant at all times since incurring the debt.

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15 Pension provisions

	CCFPS	USS	2018	2017
	£	£	Total	Total
	£	£	£	£
Balance at beginning of year	1,459,000	68,828	1,527,828	1,197,744
Movement in year:				
Current service cost including life assurance	269,569	67,383	336,952	280,571
Contributions	(162,770)	(60,064)	(222,834)	(192,129)
Other finance (income)/cost	-	-	-	824
Actuarial loss/(gain) recognised in Statement of Comprehensive Income and Expenditure	(60,718)	1,218	(59,500)	240,818
Balance at end of year	<u>1,505,081</u>	<u>77,365</u>	<u>1,582,446</u>	<u>1,527,828</u>

16 Endowment funds

	Restricted permanent endowments	Unrestricted permanent endowments	2018	2017
	£	£	Total	Total
	£	£	£	£
Balance at beginning of year:				
Capital	4,345,739	17,360,470	21,706,209	19,887,316
New donations and endowments	51,264	55,000	106,264	185,007
Increase/(Decrease) in market value of investments	177,939	785,252	963,191	1,633,886
Balance at end of year	<u>4,574,942</u>	<u>18,200,722</u>	<u>22,775,664</u>	<u>21,706,209</u>
Analysis by type of purpose				
Fellowship Funds	2,615,782	-	2,615,782	2,513,954
Scholarship Funds	952,143	-	952,143	863,969
Bursary Funds	602,363	-	602,363	578,914
Travel Grant Funds	207,824	-	207,824	199,734
Other Funds	196,830	-	196,830	189,168
General endowments	-	18,200,722	18,200,722	17,360,470
	<u>4,574,942</u>	<u>18,200,722</u>	<u>22,775,664</u>	<u>21,706,209</u>
Analysis by asset				
Property			894,987	1,826,697
Investments			21,880,677	19,879,512
Cash			-	-
			<u>22,775,664</u>	<u>21,706,209</u>

DARWIN COLLEGE
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17 Restricted Reserves

Reserves with restrictions are as follows:

	Capital grants unspent	Permanent unspent & other restricted income	Restricted expendable endowment	2018 Total	2017 Total
	£	£	£	£	£
Balance at beginning of year:	1,667,768	2,769,265	53,064	4,490,097	2,844,788
New grants	-	-	-	-	-
New donations	78,858	8,406	22,150	109,414	1,784,149
Endowment return transferred	-	-	-	-	-
Other investment income	-	215,710	293	216,003	228,371
Increase/(Decrease) in market value of investments	-	95,667	-	95,667	242,290
Expenditure		(263,314)	(16,574)	(279,888)	(231,683)
Capital grants utilised	(1,700,461)	-	-	(1,700,461)	(181,078)
Transfer to unrestricted	-	-	-	-	(196,740)
Balance at end of year	<u>46,165</u>	<u>2,825,734</u>	<u>58,933</u>	<u>2,930,832</u>	<u>4,490,097</u>

Analysis of other restricted funds/donations by type of purpose

Fellowship Funds	-	1,233,286	58,933	1,292,219	1,239,047
Scholarship Funds	-	1,032,242	-	1,032,242	1,054,375
Bursary Funds	-	480,309	-	480,309	455,337
Travel Grant Funds	-	25,536	-	25,536	25,134
Other Funds	-	54,361	-	54,361	48,436
General	46,165	-	-	46,165	1,667,768
	<u>46,165</u>	<u>2,825,733</u>	<u>58,933</u>	<u>2,930,832</u>	<u>4,490,097</u>

Analysis by asset

Property				-	-
Investments				2,565,599	3,936,752
Cash				365,233	553,345
				<u>2,930,832</u>	<u>4,490,097</u>

DARWIN COLLEGE
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18 Reconciliation of surplus for the year to net cash inflow from operating activities

	2018	2017
	£	£
Surplus/(Deficit) for the year	2,249,634	5,042,301
Adjustment for non-cash items		
Depreciation	604,230	592,266
Investment income		
(Gain)/Loss on endowments	(1,471,251)	(2,693,202)
(Increase)/Decrease in stocks	(9,551)	9,230
(Increase)/Decrease in trade and other receivables	1,475,779	(1,599,191)
Increase/(Decrease) in creditors	430,477	(3,517)
Pension costs less contributions payable	54,618	330,084
Adjustment for investing or financing activities		
Investment income	(1,007,226)	(1,023,175)
Interest payable	(214,512)	(132,904)
Loan fees paid	(69,388)	-
Net cash inflow from operating activities	<u>2,042,810</u>	<u>521,892</u>

19 Cash flows from investing activities

	2018	2017
	£	£
Non-current investment disposal	2,856,622	4,244,524
Investment income	1,007,226	1,023,175
Endowment funds invested	(2,717,059)	(7,152,487)
Increase/(Decrease) in cash balances held at fund managers	(317,531)	1,881,322
Purchase of tangible fixed assets	<u>(2,780,190)</u>	<u>(327,312)</u>
Total cash flows from investing activities	<u>(1,950,932)</u>	<u>(330,778)</u>

20 Cash flows from financing activities

	2018	2017
	£	£
Interest paid	214,512	132,904
New loan	10,000,000	-
New loan fees paid	69,388	-
Total cash flows from financing activities	<u>10,283,900</u>	<u>132,904</u>

21 Lease obligations

	2018	2017
	£	£
At 30 June 2018 the College had annual commitments under non-cancellable operating leases as follows:		
Land and buildings:		
Expiring within one year	157,656	-
Expiring between two and five years	521,301	-
Expiring in over five years	-	-

22 Pensions

The College participates in two defined benefit schemes, the Universities' Superannuation Scheme (USS) and the Cambridge Colleges' Federated Pensions Scheme (CCFPS). The assets of the schemes are held in separate trustee-administered funds. The total pension cost for the 12 months to 30 June 2018 was £194,987 (2017: £165,367).

22a Universities' Superannuation Scheme

The total cost charged to the profit and loss account is £60,064 (2017: £48,720).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the College cannot identify its share of the Retirement Income Builder Section of the scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

Assumption	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

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22a (USS) cont.

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<p><u>Pre-retirement:</u></p> <p>71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.</p> <p><u>Post retirement:</u></p> <p>96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.</p>	<p>98% of SAPS S1NA "light" YOB unadjusted for males.</p> <p>99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.</p>
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

Life expectancy on retirement	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0
Existing benefits	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

22b Cambridge Colleges' Federated Pension Scheme

The College operates a defined benefit pension plan for the College's employees of the Cambridge Colleges' Federated Pension Scheme.

The liabilities of the plan have been calculated, at 30 June 2018, for the purposes of FRS102 using a valuation system designed for the Management Committee, acting as Trustee of the Cambridge Colleges' Federated Pension Scheme, but allowing for the different assumptions required under FRS102 and taking fully into consideration changes in the plan benefit structure and membership since that date.

The principal actuarial assumptions at the balance sheet date were as follows:

	2018	2017
	% p.a.	% p.a.
Discount rate	2.7	2.6
Increase in salaries	2.75	2.85
RPI assumption	3.25	3.35
CPI assumption	2.25	2.35
Pension increases in payment (RPI Max 5% p.a.)	3.15	3.25
Pension Increases in payment (CPI Max 2.5% p.a.)	1.8	1.85

The underlying mortality assumption is based upon the standard table known as S2PA on a year of birth usage with CMI_2017 future improvement factors and a long-term rate of future improvement of 1.25% p.a. (2017: S2PA with CMI_2016 future improvement factors and a long-term future improvement rate of 1.25% p.a.). This results in the following life expectancies:

- Male age 65 now has a life expectancy of 21.9 years (previously 22.1 years).
- Female age 65 now has a life expectancy of 23.8 years (previously 23.9 years).
- Male age 45 now and retiring in 20 years has a life expectancy of 23.3 years (previously 23.5 years).
- Female age 45 now and retiring in 20 years has a life expectancy of 25.4 years (previously 25.4 years).

Members are assumed to retire at their normal retirement age (65) apart from in the following indicated cases:

	Male	Female
Active Members – Option 1 Benefits	65	63
Deferred Members – Option 1 Benefits	62	60

Allowance has been made at retirement for non-retired members to commute part of their pension for a lump sum on the basis of the current commutation factors in these calculations.

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22b (CCFPS) cont.

The amounts recognised in the Balance Sheet as at 30 June 2018 (with comparative figures as at 30 June 2017) are as follows:

	2018	2017
	£	£
Present value of plan liabilities	(4,965,275)	(4,704,705)
Market value of plan assets	<u>3,460,194</u>	<u>3,245,705</u>
Net defined benefit asset/(liability)	<u>(1,505,081)</u>	<u>(1,459,000)</u>

The amounts to be recognised in the Statement of Comprehensive Income and Expenditure for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows.

	2018	2017
	£	£
Current service cost	257,296	198,104
Administrative costs	12,273	12,273
Interest on net defined benefit (asset)/liability	38,321	32,608
(Gain)/loss on plan changes	-	-
Curtailment (gain)/loss	-	-
Total	<u>307,890</u>	<u>242,985</u>

Changes in the present value of the plan liabilities for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Present value of plan liabilities at beginning of period	4,704,705	3,922,573
Current service cost (including Employee contributions)	257,296	198,104
Employee contributions	20,264	15,738
Benefits paid	(114,483)	(82,439)
Interest on plan liabilities	124,692	111,354
Actuarial (gains)/losses	(27,199)	539,375
(Gain)/Loss on plan changes	-	-
Curtailment (gain)/loss	-	-
Present value of plan liabilities at end of period	<u>4,965,275</u>	<u>4,704,705</u>

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22b (CCFPS) cont.

Changes in the fair value of the plan assets for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Market value of plan assets at beginning of period	3,245,705	2,771,359
Contributions paid by the College	201,091	176,017
Employee contributions	20,264	15,738
Benefits paid	(114,483)	(82,439)
Administrative expenses paid	(16,778)	(13,708)
Interest on plan assets	86,371	78,746
Return on assets, less interest included in the Statement of Comprehensive Income and Expenditure	<u>38,024</u>	<u>299,992</u>
Market value of plan assets at end of period	<u><u>3,460,194</u></u>	<u><u>3,245,705</u></u>
Actual return on plan assets	124,395	378,738

The major categories of plan assets as a percentage of total plan assets for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
Equities	64%	67%
Bonds & Cash	30%	27%
Property	<u>6%</u>	<u>6%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

The plan has no investments in property occupied by, assets used by or financial instruments issued by the College.

Analysis of the remeasurement of the net defined benefit liability recognised in Other Comprehensive Income (OCI) for the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Return on assets, less interest included in the Statement of Comprehensive Income and Expenditure	38,024	299,992
Expected less actual plan expenses	(4,505)	(1,435)
Experience gains and losses arising on plan liabilities	(190,800)	(15,588)
Changes in assumptions underlying the present value of plan liabilities	<u>217,999</u>	<u>(523,787)</u>
Remeasurement of net defined benefit liability recognised in OCI	<u><u>60,718</u></u>	<u><u>(240,818)</u></u>

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22b (CCFPS) cont.

Movement in net defined benefit asset/(liability) during the year ending 30 June 2018 (with comparative figures for the year ending 30 June 2017) are as follows:

	2018	2017
	£	£
Net defined benefit asset/(liability) at beginning of year	(1,459,000)	(1,151,214)
Recognised in the Statement of Comprehensive Income and Expenditure	(307,890)	(242,985)
Contributions paid by the College	201,091	176,017
Remeasurement of net defined benefit liability recognised in OCI	60,718	(240,818)
Net defined benefit asset/(liability) at end of year	<u>(1,505,081)</u>	<u>(1,459,000)</u>

Funding Policy

Actuarial valuations are carried out every three years on behalf of the Management Committee, acting as the Trustee of the Scheme, by a qualified independent actuary. The actuarial assumptions underlying the actuarial valuation are different to those adopted under FRS102.

The last such actuarial valuation was as at 31 March 2017. This showed that the plan's assets were insufficient to cover the liabilities on the funding basis. A Recovery Plan has been agreed with the College, which commits the College to paying contributions to fund the shortfall.

These deficit reduction contributions are incorporated into the plan's Schedule of Contributions dated 28 June 2018 and are as follows:

- Annual contributions of not less than £35,653 p.a. payable for the period from 1 July 2018 to 31 March 2034.

These payments are subject to review following the next funding valuation, due as at 31 March 2020.

23 Related Party Transactions

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