

MERTON COLLEGE

Financial statements

Year ended 31 July 2006

The accounts' index (if any), Responsibilities of the Governing Body, Statement of Principal Accounting Policies and Independent Auditors' Report have been omitted from this 150 dpi Akme scan.

MERTON COLLEGE

Report of the Governing Body

The Governing Body of Merton College presents the annual report and financial statements for the year ended 31 July 2006.

Status

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

Objects

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

Governance

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

Scope of financial statements

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

Review of operations and finance

For the year ended 31 July 2006, the consolidated surplus on income and expenditure account was £321,378 (2005 £382,780), the increase in consolidated net cash funds was £5,821,314 (2005 decrease £3,893,277), and expenditures of £582,841 were incurred on tangible fixed assets. At 31 July 2006, consolidated net assets were £142,365,892 (2005 £127,944,259) and the College was contracted for capital commitments of £nil (2005 £202,184) in respect new building projects and programmes of improvement to fixed assets and endowment properties.

Endowment assets and investment performance

Endowment funds are invested in assets which fundamentally underpin and sustain the operations of the College at the desired level of activity in the long term. At 31 July 2006, endowment assets were £126,607,195 (2005 £112,857,140). For the year ended 31 July 2006, income from endowment assets of £4,122,985 (2005 £3,831,825) was credited to income and expenditure account, and the appreciation in value of endowment assets was £12,750,424 (2005 £15,961,723). Total investment return, capital and revenue, was 15%, expressed as a percentage of endowments at the start of the year.

Reserves

At 31 July 2006, consolidated reserves were £11,038,533 (2005 £10,292,614) and, after allowing for amounts invested in fixed assets, net of deferred capital, consolidated general reserves were £1,161,173 (2005 £655,174), of which £856,692 (2005 £498,422) was attributable to the College and £304,481

(2005 £156,752) to subsidiary undertakings. College policy is to maintain endowment to sustain operations at the desired level in the long term. The Governing Body intends that the College should maintain a small general reserve, equivalent to up to three months revenue expenditure, as contingency, but general reserves are subject to fluctuation in accordance with variations in endowment income and repairs expenditures in particular. Designated and general reserves in Merton College Charitable Trust may be paid to the College as grants at the discretion of the trustees. Capital grants made by Merton College Charitable Trust are credited to deferred capital.

Risk management

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

Approved by the Governing Body on 1 November 2006

Warden

MERTON COLLEGE
Consolidated Income and Expenditure Account
Year ended 31 July 2006

	Notes	2006 £	2005 £
INCOME			
Academic fees and tuition income	1	1,566,325	1,465,364
Research grants and contracts	2	212,780	240,078
Other operating income	3	2,810,593	2,557,226
Endowment income and interest receivable	4	4,193,333	3,892,484
Total income		8,783,031	8,155,152
EXPENDITURE			
Staff costs	5	4,367,485	3,933,569
Depreciation		580,770	551,061
Other operating expenses		3,246,897	2,988,644
Contribution under Statute XV		266,501	299,098
Total expenditure	7	8,461,653	7,772,372
Surplus for the year	8	321,378	382,780

Consolidated statement of total recognised gains and losses
Year ended 31 July 2006

	2006 £	2005 £
Reserves		
Surplus for the year	321,378	382,780
Net transfers from reserves	424,541	(171,334)
Endowments		
Endowments received	1,418,742	198,958
Appreciation of endowment asset investments	12,750,424	15,961,723
Net transfers from endowments	(425,866)	(9,661)
Specific endowment income retained for the year	6,755	4,039
Other		
New deferred capital received	56,101	146,899
Net transfers to deferred capital	1,325	180,448
Deferred capital released to income and expenditure account	(131,767)	(191,779)
Total recognised gains relating to the year	14,421,633	16,502,073
Funds at 1 August 2005	127,944,259	111,442,186
Funds at 31 July 2006	142,365,892	127,944,259