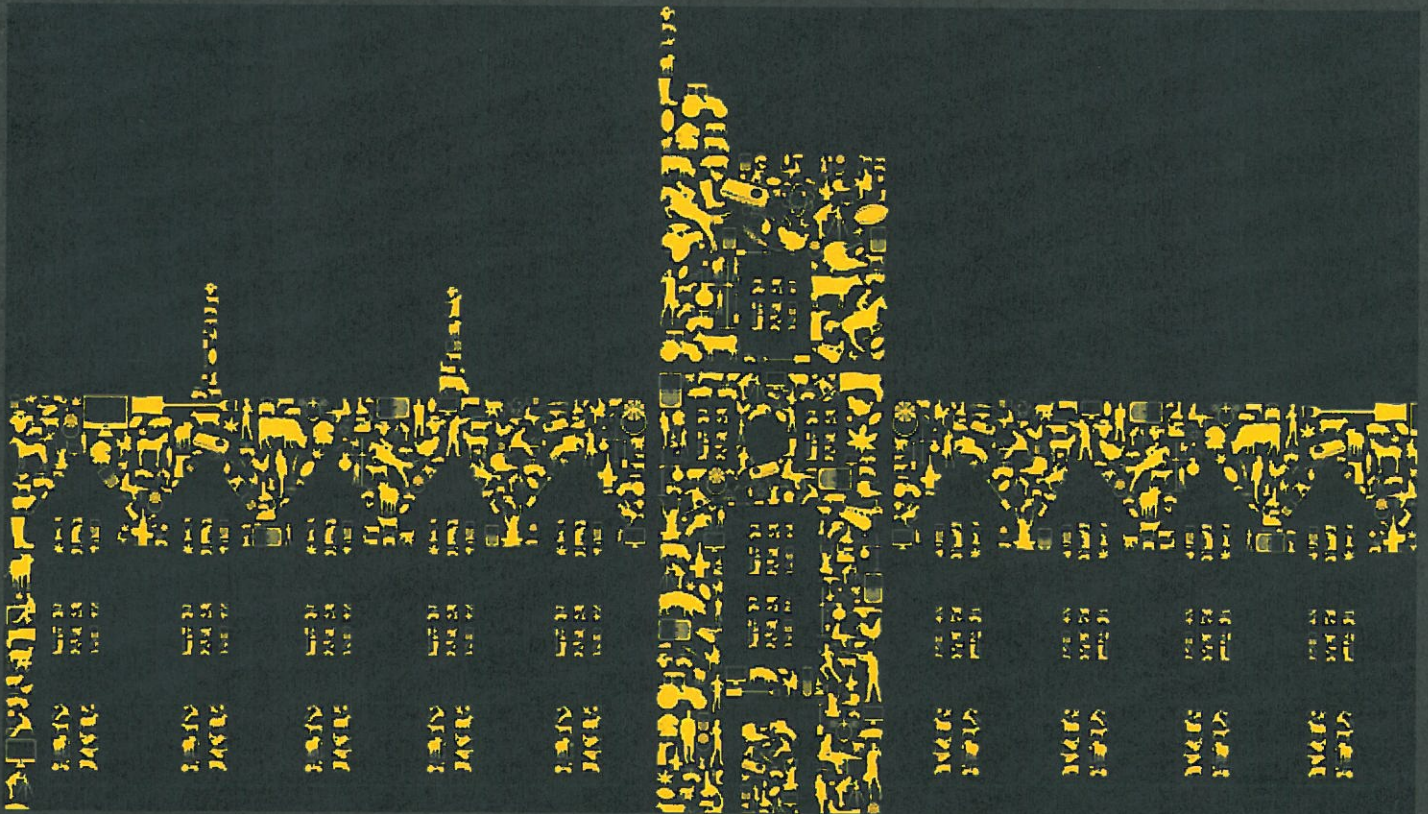


Registered Company Number 99168  
Charity Registered Number 311780



# Annual Report and Financial Statements

for the year ended 31 July 2013



# Royal Agricultural University

## Annual report and financial statements for the year ended 31 July 2013

### Contents

Governors' report.....	3
Independent auditors' report to the Governing Council of The Royal Agricultural University.....	24
Statement of Principal Accounting Policies and Estimation Techniques.....	26
Consolidated income and expenditure account for the year ended 31 July 2013.....	33
Statement of consolidated historical cost surpluses and deficits for the year ended 31 July 2013..	34
Statement of consolidated total recognised gains and losses for the year ended 31 July 2013.....	34
Balance sheets at 31 July 2013.....	35
Consolidated cash flow statement for the year ended 31 July 2013.....	36
Notes to the consolidated financial statements for the year ended 31 July 2013.....	37

# Royal Agricultural University

## Governors' report

### Chairman's Foreword

This year as Chairman of Council I have seen a major, welcome and significant change at the Royal Agricultural College. We were delighted to become a University and as such are the first to be honoured with both Royal and Agricultural in our name.



This change in status was not made without a great deal of thought, given our long and very proud tradition as an Agricultural College. I am most grateful to all those who gave us the benefit of their views and, subsequently, their support. Above all I am grateful to my colleagues on Council for their very full consideration of all the arguments for and against a change in status. It was a pleasure to see student, lay and academic members of Council working together for the good of the University.

Having made the change we now look forward with anticipation to the future. Despite continuing uncertainties in higher education funding, this has been a productive and successful year for us. Our students have achieved more first class and upper second degrees and they continue to report welcome levels of satisfaction through the student survey. Their academic achievements are reflected in our continued excellent performance in today's very competitive jobs market. They also remain very active in support of the local community.

We look forward to increasing development as a University both here at home and in our relationships in China, the Middle East and Africa.

Finally, I would like to thank those fellow members of Council who are now standing down. We have all benefitted from their contributions and commitment. My thanks as ever to the Principal and his team who have done much to ensure our success.

This is my last report as Chairman. I have been honoured to serve the University as a Governor and latterly as chairman. The future for the University with developments on the Corinium campus and abroad shows our determination to continue to offer the best in university education in our sector in the future. I know my successor as chairman will take these developments forward with skill and vigour. I wish the new chairman every success

Brian Hilton CB MRAC

A handwritten signature in black ink that reads "Brian Hilton". The signature is written in a cursive style with a long horizontal stroke at the end.

# Royal Agricultural University

## Introduction by the Principal

This has been a further year of unprecedented change and uncertainty in the Higher Education sector and the University continues to prepare itself for the new landscape whilst celebrating the successes and achievements of the 2012/13 academic year just ended.



The year 2013 will be remembered in the history of the institution for the achievement of university status and the change of title from RAC to the Royal Agricultural University. It represents an acknowledgement of the hard work over many, indeed 168, years and properly represents what the institution does and aspires to do. It will benefit most importantly the students, present and future, and is important also both to the RAU itself, the employers of our graduates, and the industries that we serve.

The University continues to benefit from the growing interest in courses and careers associated with agriculture, food and management of the land, with a further increase in applications, not only for traditional programmes but also the one year courses at both sub degree and postgraduate level. The RAU continues to attract significant numbers of overseas students, with again over 40 different countries represented at Cirencester. Retention rates remain high, putting the RAU amongst the best in the University sector.

The students continue to do well in their examinations and it is pleasing to see good percentages of First and Upper Second Honours degrees awarded which flows through into the 94% average employment rate experienced by its graduates over the past 5 years. The University recognises the contribution made to these achievements by the high quality teaching. Some 50% of academic staff hold a recognised teaching qualification and a further quarter are Fellows of the HE Academy.

The University's Access Agreement and plans for widening participation have been accepted by the Office for Fair Access (OFFA). The agreement lays responsibilities on the University which will be assessed on a regular basis by OFFA.

The increase in student admissions for 2013 nationally would seem to suggest that concerns that the increased fees (£9k / annum) would affect student numbers were unfounded, and this is certainly the experience of the RAU. The main areas of uncertainty in the future concern the control of student numbers exercised by Government through the Higher Education Funding Council. The RAU attracts more potential students than it has funded places for, and while the Funding Council has announced a policy of redistributing student numbers it is not clear whether or when this will happen. The RAU has responded to this cap on numbers by offering non-degree courses for both graduates – the Graduate Diploma in Agriculture (GDA) - and non-graduates (the One Year farming Certificate), and will seek to develop more of these courses.

# Royal Agricultural University

Recruitment for the academic year 2013/14 is strong, with the University slightly above its permitted number as dictated by its student control number (number of funded first year undergraduate students), though as last year the reduction in the number of students nationally scoring high grades at A Level (ABB) has meant a slight reduction against predicted numbers for such students. The perturbations caused by Home Office attempts to reduce immigration through Visa controls have undoubtedly discouraged the recruitment of overseas students in the sector, and competition remains fierce for the overseas market. The University will have in the region of 1,070 FTE students in 2013/14.

The University is expanding its contract teaching operations in China and building relationships with overseas institutions. A partnership with Stellenbosch University in South Africa provides opportunities for African graduates from the African Fellowship Programme to continue to develop on return to their country. The University is also investing in research in its drive for RDAP (Research Degree Awarding Powers). A new Chair, the Bomford Chair in Agricultural Mechanisation, has been created and filled. An additional school of study, the School of Equine Management and Science is to be formed in 2014, building on the success over 20 years of courses in this area, continued strong demand and international developments, particularly in the Far East.

A £1,200k investment in the University's farm at Harnhill for a Rural Innovation Centre will provide additional teaching and research facilities associated with the 'outdoor laboratory' that is the farm, and will contribute to meeting the objectives of the Government's recently published 'UK Strategy for Agricultural Technologies' and the University's commitment to knowledge exchange and translational research.

The University continues to explore alternate sources of income to cushion it against reductions in revenue from student fees and public sector grants. It is planning to expand its provision of courses at postgraduate level. It also continues to develop its fundraising activities, with the appointment this year of an experienced director of Development and Alumni Relations.

This has been a challenging year financially and the eventual surplus of £1,270k benefited greatly from the profit on the sale of land and property at Coates; the underlying educational business made an operating deficit. Overall cash holdings decreased slightly due to continued investment in the estate and student facilities.

The University was created in 1845, as the Royal Agricultural College, from the vision and altruism of forward-thinking individuals who identified a wider need for enhanced agricultural education. Nowadays as the world faces the formidable 21st Century challenges on food security, climate change and land use, the University is looking to build on the philanthropy that formed it. A series of ambitious plans seek to help in finding solutions to these issues, and to further enhance the University's enviable reputation as provider of education and training for the leaders in its field, both nationally and around the world.

# Royal Agricultural University

The University has identified a series of long-term projects for which it is seeking financial support. The development team is focusing on securing funding for scholarships and bursaries, the modernisation of the on-campus facilities, further development of the University farms, and the enhancement of its international and postgraduate teaching and learning.

The year 2014 will be exciting, not least as the first full year as a University.

As it goes into the new year, the 2014/19 corporate plan states that the University pursues its mission with the following strategic priorities:

1. To develop an outstanding and sustainable academic environment for study and work both on and off-campus through increases in the numbers of high quality students and staff.
2. To develop a range of unique, industry-relevant and accessible courses at undergraduate and postgraduate level that serve agriculture, food and the land in their broadest contexts.
3. To develop further the University's international profile through the development of international schools at Cirencester and with partners overseas.
4. To catalyse the development and utilisation of the campus and farms and facilities through partnerships with industry, other institutions and philanthropists.
5. To increase the research activity and profile of the University, and its translation to industry.
6. To maximise the utilisation of the campus, augmenting the core business usage with commercial activities.
7. To be an institutional exemplar for working in an increasingly sustainable environment.
8. To stimulate a culture of creativity, enterprise and innovation, maximising the beneficial economic and social impact of our intellectual assets.

The University is well positioned to deliver on these objectives, deal with the challenges ahead, and make full use of the opportunities; it enters 2014 with confidence.



Professor Chris Gaskell CBE  
Principal

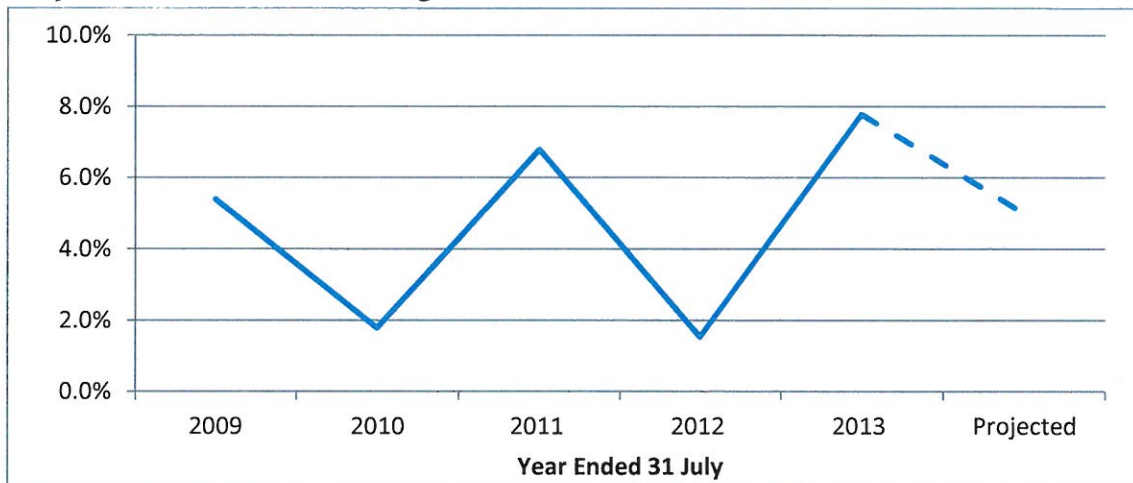
# Royal Agricultural University

## Financial Report on Operating Results

The University reports a surplus after depreciation for the year of £1,270k (2012: £247k). The year's results benefited from £1,426k profit on the sale of land and property at Coates.

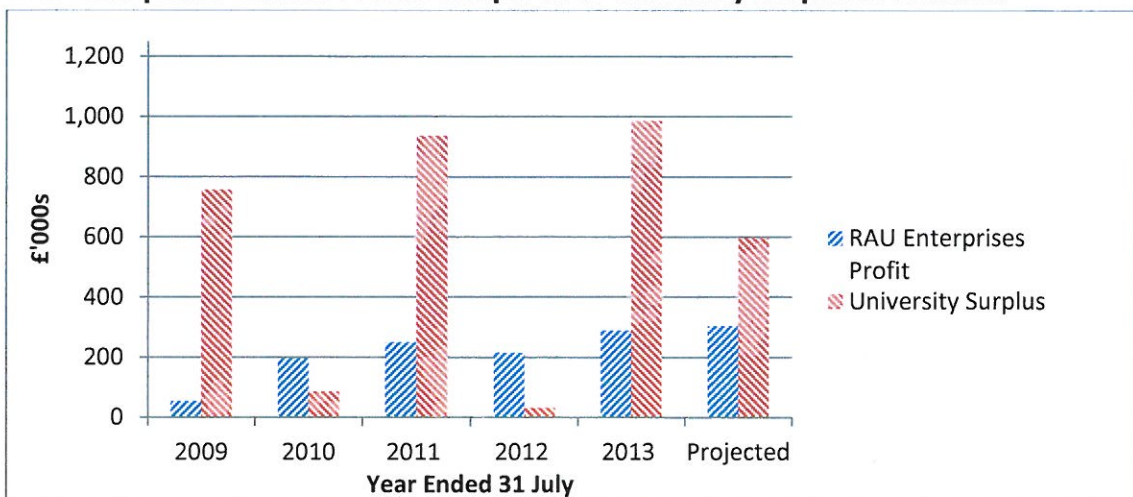
The medium term financial strategy for the University is to achieve a surplus equal to or greater than the 4.5% recommended by HEFCE for long term financial sustainability. Over the last five trading years its cumulative surpluses have ranged from 1.5% in 2012 to 7.8% in 2013 with a rolling average of 4.7%. The cyclical nature of the annual results reflects the University's prudent policy of generating funds in one year for investment in estates maintenance and student experience the following year. In general the economic downturn has adversely impacted commercial activity and therefore the overall results. The good year ends of 2011 and 2013 benefited respectively from one off HEFCE University Modernisation Fund (UMF) grant income and the Coates property sale.

### Surplus retained as a Percentage of Turnover



The University relies heavily upon profits generated by its wholly owned subsidiary, RAU Enterprises Limited, which carries out the conference, retail and consultancy aspects of the business. Gift aided profits from RAUEL over the past 5 years are shown below, alongside the surpluses due solely to the University activity.

### RAU Enterprises Limited Profits compared to University Surpluses retained

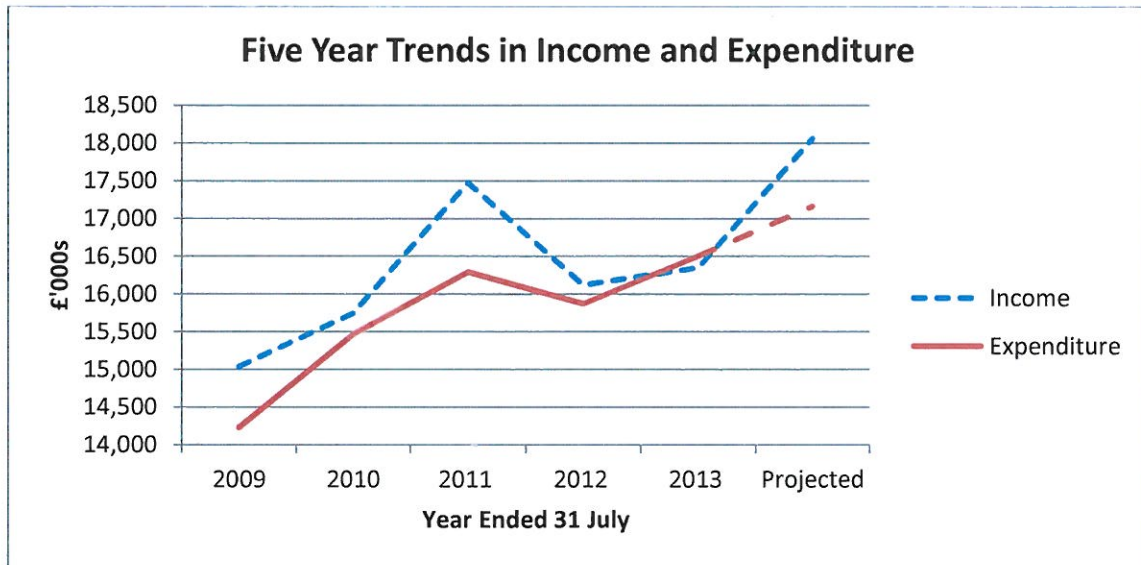


The current year turnover shows a 1.4% upturn due to the introduction of the higher rate tuition fees. The long term trend of income growth was not achieved in the year ended July 2012 due to

# Royal Agricultural University

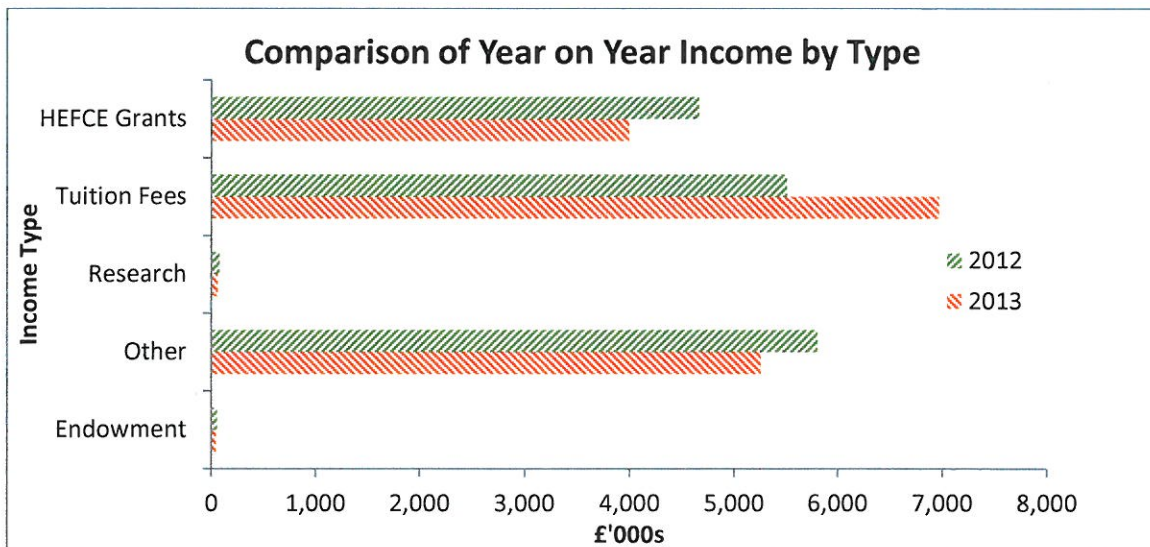
cessation of 3 strands of public funding through HEFCE (UMF, Employer Engagement and Matched Giving).

Expenditure has, however, shown an increase of 4.0% compared to 2012 primarily on Staff Costs and Other Operating Expenses.



This year's breakdown of income shows the initial impact of the new UK Funding Model for Universities whereby the public, grant funded subsidy for undergraduate tuition fees is being replaced for most students by student funded higher fees supported by the Student Loans Company. The University elected to charge £9k for all new entrants to undergraduate courses in 2012/13, the maximum the Government allows for UK and EU students.

The combined total of Tuition Fees and HEFCE Grants increased by 7.9% from the 2012 total but Tuition Fees increased by 26.7% and HEFCE Grants decreased by 14.3%. HEFCE Grants accounted for 24.5% of total income in 2013 compared to 29.0% in 2012. This divergence will increase over the next two years until all UK and EU undergraduates are on the new regime.

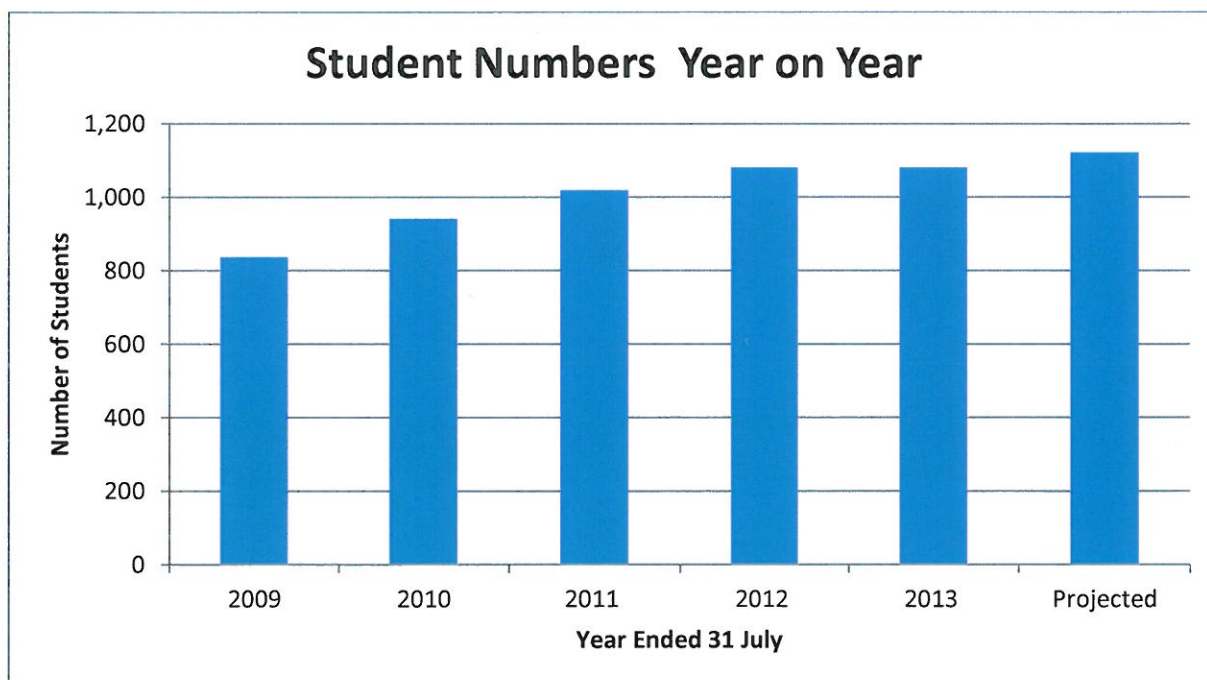




## Royal Agricultural University

The ability of the University to grow student numbers is constrained by the number of UK/EU undergraduates that HEFCE allow it to recruit. In this new funding regime the University's 2012/13 control number of 250 (the number of new funded undergraduates the University is allowed to recruit in any one academic year) was reduced to 236 due to over-recruitment in the previous year. Under Government policy control numbers were top-sliced to provide a percentage of places to institutions charging £7.5k or less; high achievers (getting AAB+ at A level or equivalent) were also excluded from the control number and were recruited in a competitive market situation.

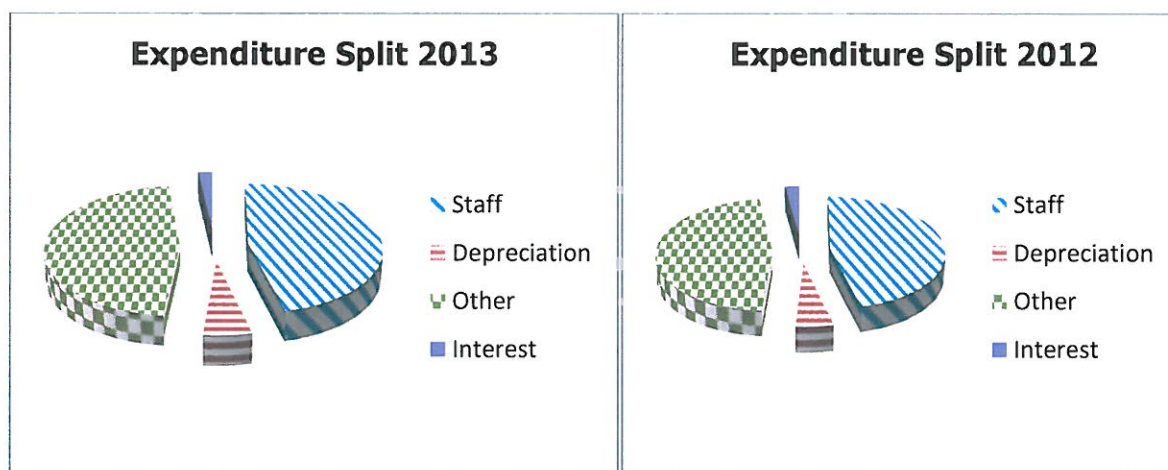
The University budgeted for a year on year diminution in fee paying student numbers as the impact of the higher fee regime was uncertain. It met and slightly exceeded its 2012/13 budgeted numbers but the mix of students recruited resulted in lower than budgeted tuition fee income. Student numbers remained steady with growth planned to come from part time, distance learning or sub-degree courses such as this year's successful One Year Farming Course.



Other Income at £5,257k is a significant contributor to the University turnover providing 32.2% of the total (2012: 36.0%). A breakdown of this income is shown in note 4 to the Financial Statements. The £549k year on year reduction in Other Income is primarily down to economic pressures on commercial activities.

The split of total expenditure has been constant year on year with 46.1% being on staff (2012: 46.2%) and 46.9% being Other Operating Expenditure (2012: 46.8%). Note 10 to the Financial Statements shows the split by department of Other Operating Expenses.

# Royal Agricultural University



Staff costs, based on 205 FTE permanent staff (2012: 197), include £332k on casual weekly paid employees not included in the above FTE total. The University has invested more in senior academic staff with the appointments of new Deans for the Schools of Business and Entrepreneurship and Real Estate and Land Management, the creation of the new School of International Affairs and Distance Learning and the Chair in Applied Farm Mechanisation and Management sponsored by the Douglas Bomford Trust. The University expanded its programme of Graduate Trainee opportunities with 5 new appointments in a number of academic related and support roles.

Other Operating Expenses are split between departments in note 10 and have increased by £351k equating to 4.7% between years. There have been movements over £100k in spend in the following areas:

- Academic Departments – down £179k largely in the area of commercial training providers due to the completion of a major employer engagement project and appointment of academic staff;
- Academic Services - up £131k with the continued investment in IT, primarily the continuing development of the new student management information system and associated packages;
- Residences – down £106k due to less commercial activity and tight cost control and efficiencies;
- Premises – up £269k due to increased investment on updating the University estate;
- Others including general endowment expenditure - £108k up primarily due to increased farms expenditure.

The £48k reduction in interest charges is entirely due to the reduced FRS17 interest charge on the RAC CARE Pension Scheme.

The most significant changes on the balance sheet relate to tangible fixed assets, other investments and creditors (bank loans).

Tangible fixed assets have increased by £980k reflecting the investment in the completion of the new student accommodation block, net of the demolition of old farm buildings at Harnhill to make way for new Agricultural buildings and the new Rural Innovation Centre due for completion in 2013/14.

As the University continues an ambitious capital building program, cash reserves have fallen for the third consecutive year and bank borrowings have increased to 35.3% of turnover (2012: 31.6%).

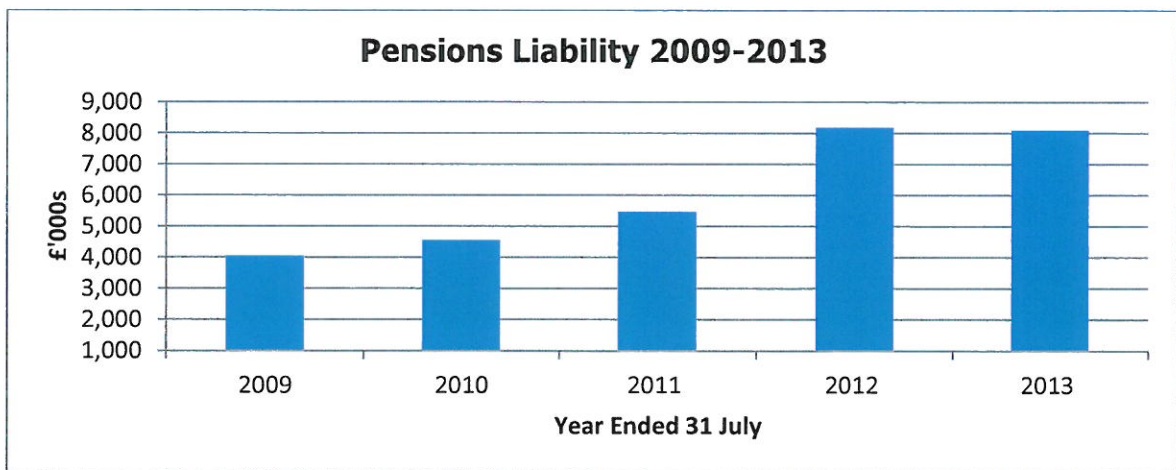
# Royal Agricultural University

Cash holdings have fallen to £2,127k (2012: £2,195k). The funds raised from the sale of property at Coates have largely been used to fund the on-going redevelopment work taking place at Harnhill, the additional revenue expenditure on premises and the development of the IT systems. The £5,771k borrowings (2012: £5,093k) are all secured against buildings and details can be seen in note 20.

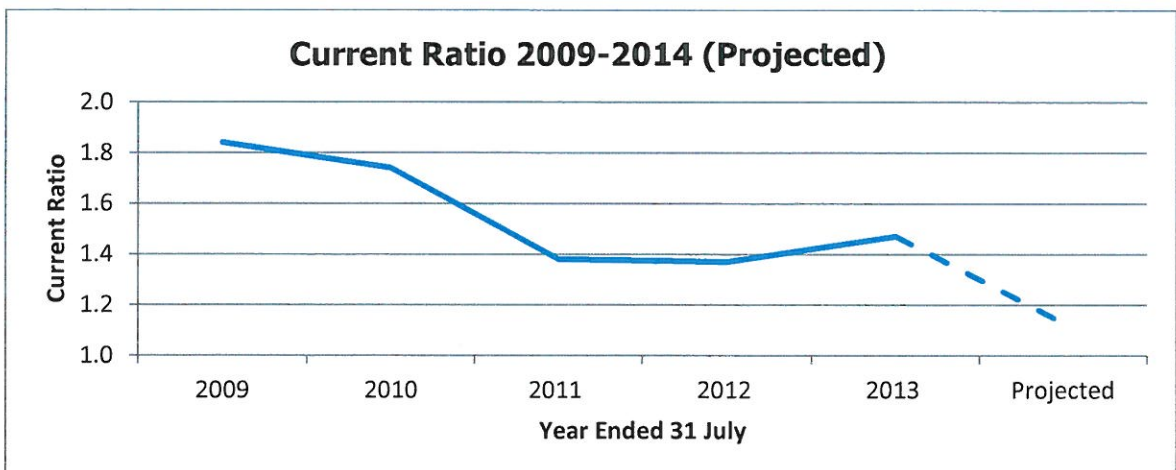
For the first time in 5 years the RAC Pension Scheme Deficits have shown a slight downturn as the recovery plan agreed with the Pensions Regulator begins to take effect. Following the April 2012 valuation, the University's annual payments to the RAC CARE Scheme increased with effect from April 2013 from £400k to £650k (see note 25).

The University is also involved in the USS Scheme which is only 68% funded. The University's share of this deficit cannot be quantified so is not reflected upon the balance sheet. Should the University cease to have active members in USS it would trigger a contingent liability estimated at £332k - £554k. Note 34 refers. There are no such liabilities for the government backed Teachers Pension Scheme (TPS) or the Aegon and Prudential defined contribution schemes.

The quantum of the University's pension liabilities recognised on the Balance Sheet equates to 42.6% (2012: 44.9%) of the balance sheet net assets or 49.6% (2012: 50.8%) of turnover.



The University's ratio of current assets to current liabilities has deteriorated slightly from 1.84 in 2009 to 1.47 at July 2013; (2012: 1.37). This is slightly worse than the 1.66 projected a year ago and is expected to reduce to 1.13 by July 2014.



# Royal Agricultural University

## Report of the Governors and Corporate Governance Statement

<b>Principal address and Registered Office</b> The Royal Agricultural University Stroud Road Cirencester Gloucestershire England GL7 6JS	<b>Principal Officers</b> Principal Vice Principal Director of Finance and Administration	Prof Chris J Gaskell Prof W Paul Davies Mrs Theresa M Chapman
<b>Investment Managers</b> Cazenove Fund Management Limited 3 Copthall Avenue London EC2R 7BH		
<b>Bankers</b> Lloyds Bank plc 14 Castle Street Cirencester Gloucestershire GL7 1QJ	<b>Solicitors</b> Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN	Eversheds LLP 1 Wood Street London EC2V 7WS
<b>Registered auditors</b> PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD		

### Principles

The Royal Agricultural University (RAU) aims to conduct its affairs in accordance with the seven principles set out by the Nolan Committee on Standards in Public Life, i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

### Legal Status

The Royal Agricultural College was incorporated by Royal Charter in 1845. It was registered under the Charities Act (charity number 311780) in 1964 and at Companies House as a limited company (registered number 99168) in 1908; the word "limited" being omitted by licence of the Board of Trade. It traded as such until 23 April 2013 when it attained University status and changed the name of both the charity and the limited company to "Royal Agricultural University".

For ease of use the limited company is described as "the University" throughout these statements.

On 23 May 2013 the University changed the name of its wholly owned subsidiary, Royal Agricultural College Enterprises Limited, to Royal Agricultural University Enterprises Limited. It incorporated on the same day a second wholly owned subsidiary, Royal Agricultural College Limited, which is a dormant company.

# Royal Agricultural University

## **The Governing Council**

This consists of between 12 and 18 Independent Governors, up to 5 Co-opted Governors and 3 Staff and 2 Student Union Representatives. The Principal, Vice Principal and Director of Finance and Administration attend on an ex-officio basis. Governing Council meets at least 3 times per year, and has a number of sub-committees that report back to it.

## **Planning and Resources Committee**

This is the main sub-committee of the Governing Council and is equivalent to Finance and General Purposes Committee. Since January 2009 this Committee has been a joint committee of the Governors and University Executive with 5 independent Governor members, the 3 members of the University Senior Executive (the Principal, Vice Principal, Director of Finance) and 2 Senior Academics currently represented by the Dean of the International Affairs and Distance Learning and the Dean of the School of Real Estate and Land Management. The Committee meets 3 times per year. The Governing Council delegates many of its operational powers to this committee.

## **The Audit Committee**

This sub-committee normally meets 3 times per year and consists of up to 4 Governors plus one co-opted member with financial expertise. The Principal and Director of Finance and Administration are regular attendees although the Committee may meet with the auditors without any officers present and does indeed do so. The Committee is responsible for monitoring internal control systems, risk management and value for money. It appoints the Internal Auditors and receives their reports. It also receives the annual financial statements and management letter from the external auditors.

## **The Principal**

The Principal is the chief executive and head of the University. Under the terms of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), he is the Accountable Officer of the University, with a general responsibility for ensuring that all public funds are used properly and give value for money. As Accountable Officer, he advises the Governing Council on its responsibilities under the Financial Memorandum and Audit Code of Practice and has a duty to ensure that they discharge such responsibilities. He is required to advise the Governing Council if any action or policy under consideration by the Council appears to be incompatible with the terms of the Financial Memorandum. If the Governing Council nonetheless chooses to proceed with such an action or policy, he is required to inform the Accounting Officer at HEFCE in writing of the action or policy. The Principal may be summoned to appear before the Public Accounts Committee of the House of Commons.

## **Register of Interests**

The University maintains a Register of Interests of Governors. This may be inspected by prior arrangement with the Company Secretary. A similar register is maintained for senior managers.

## **The Governing Council**

The composition of the Governing Council, who were in office during the year and up to the date of signing the financial statements, is shown below. Staff and Student representatives are neither Directors of the Limited Company nor Trustees of the registered charity.

# Royal Agricultural University

The directors of the company who were in office during the year and up to the date of signing the financial statements were the following:

## **Independent Governors, Charity Trustees & Directors of the Limited Company**

The Earl Bathurst (until Nov 12)	Mr Jeremy Moody (resigned Dec 12)
Prof Sir John Beddington (elected Dec 12)	Mr Philip Moody
Prof Patricia Broadfoot	Mrs Karen Morgan
Mr Anthony Colburn	Prof Chris Mullard
Prof Colin Dennis	Mr Chris Musgrave
Miss Caroline Drummond	Prof Michael Osbaldeston
Prof Richard Ellis	Mr Colin Pett (Chairman of Audit Committee)
Mr Jeremy Lewis (Chairman of P&R)	Mr Julian Sayers (Vice Chairman)
Mr Richard Macdonald	

## **Co-Opted Governors, Charity Trustees & Directors of the Limited Company**

Mr Brian Hilton (Chairman)

The Earl Bathurst (from Nov 12)	Prof Jonathan Kydd (elected April 13)
Mr David Slack	Mr Michael Tucker

### **Vice President**

Mr Simon Pott

### **Staff Representatives**

Mr Chris Brough (resigned Jan 13)	Dr Nicola Cannon (elected Feb 12)
Mr Benedict Greenhalgh	Mr William Manley (elected Jan 13)

### **Student Union Representatives**

Mr Charles Denman	Miss Eleanor Sear
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### **Officers**

Prof Chris J Gaskell (Principal)

Prof W Paul Davies (Vice Principal)

Mrs Theresa M Chapman (Director of Finance and Administration): Company Secretary

# Royal Agricultural University

## Governors' interests in shares of the University

The interests in the issued share capital of the University by Governors at 31 July 2013 and 2012 were:

	2013	2012		2013	2012
The Earl Bathurst	1	1	Mr Philip Moody	1	1
Prof Patricia Broadfoot	1	0	Mrs Karen Morgan	1	1
Mr Anthony Colburn	1	1	Prof Christopher Mullard	1	1
Prof Colin Dennis	1	1	Mr Chris Musgrave	1	1
Miss Caroline Drummond	1	1	Prof Michael Osbaldeston	1	1
Prof Richard Ellis	1	1	Mr Colin Pett	1	1
Mr Brian Hilton	1	1	Mr Julian Sayers	1	1
Mr Jeremy Lewis	1	1			
Mr Richard Macdonald	1	1	Total (out of 120)	16	15

In addition, Prof Chris Gaskell (Principal) held 6 shares at 31 July 2013 (2012:6).

The remaining shares are held by former governors, friends of the University and members of the original founding families.

No dividends or tangible benefits accrue to the holders of the shares.

### Statement of the Governing Council's responsibilities

The Governing Council is responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under that law the Governors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Governors 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 group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the Governing Council is required to:

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

The Directors, who are also the Trustees and Governors of the University, are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and

# Royal Agricultural University

disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition the Governing Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- secure the economic, efficient and effective management of the University's resources and expenditure: and;
- comply with the guidance to institutions of higher education published by the Committee of University Chairmen in its Guide for Members of Governing Bodies in the UK (2009), known as the CUC Governance Code of Practice and General Principles.

The Governing Council is responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the University's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the University's website is the responsibility of the Governing Council. The Governing Council's responsibility also extends to the on-going integrity of the financial statements contained therein.

The Governing Council is also responsible for ensuring that the University adheres to its charitable objects and continues to provide public benefit by the provision of education in the agriculture/food chain "plough to plate" sector and the rural economy. Education is provided at both undergraduate and postgraduate level. The collegiate nature of the learning environment supports a range of students who might not otherwise benefit from higher education. Training covers a range of activity from professional updates for chartered surveyors and banks to hands on vocational skills training for a rural workforce.

## **Statement on Public Benefit**

The RAU Articles of Association as filed at Companies House state in article 6 "The objects of the University are the advancement of education and learning, including: 6.1 instruction and vocational training in, and research into, agriculture, land management and other subjects; and 6.2 unless it interferes with the objects in Article 6.1, the advancement of education by the provision of such educational courses as the Governors from time to time determine".

In furtherance of these charitable objects, the University's mission statement is "To be the centre of excellence for developing the leaders of tomorrow in sustainable development relating to the rural economy and food chain, and to provide leadership regionally, nationally and internationally through its education, research and knowledge transfer activities".

The Governing Council is responsible for ensuring that the University adheres to these charitable objects and continues to provide public benefit by the provision of education in the agriculture/food chain "plough to plate" sector and the rural economy. The Non-Executive Director Governors of the



# Royal Agricultural University

University (Trustees of the registered charity) and its Senior Management are aware of the Charity Commission Guidance on the reporting of public benefit and particular to its supplementary document "The Advancement of Education for Public Benefit" and consider this guidance in their decision making. The detail included within this statement demonstrates the ways in which the University has delivered its charitable purposes for public benefit.

This small specialist University provides Higher Education relating to industries and professions in the rural economy and food chain. It has provided taught courses at degree level since 1984, achieved teaching degree-awarding powers in 1995 and is working towards research degree-awarding powers. It remained in the private sector from its inception in 1845 until 2001, when it became publicly funded through the Higher Education Funding Council for England (HEFCE).

## *Beneficiaries*

The main charitable beneficiaries of the education provided by the RAU are its students (both undergraduate and postgraduate). The University is open to all students on the basis of ability and academic achievement and there is no geographical restriction on entry. It holds annual Experience Days where the majority of applicants are assessed and endeavours to interview all applicants who meet the recruitment criteria.

Any physical barriers to education, such as an inaccessible campus, are being addressed through the design of new buildings. The newly-built accommodation has a number of disabled access rooms. Although the listed nature of the campus does mean a few areas cannot be accessed other than by stairs, key student support services and most lecture halls are on the ground floor, and ramps have been installed for wheelchair access where permitted by Local Government Planning Development Control.

## *Learning and Teaching*

The RAU aims to offer programmes of study that are attractive to a diverse range of potential students, have fair and transparent admission policies and provide financial support to low income students. The University has a comprehensive Student Complaints Procedure, as well as a Student Discipline Procedure, to deal swiftly and effectively with problems which may arise during students' time at the University.

With the introduction of £9k undergraduate fees in 2012/13, the University mitigates the financial barriers to students accessing education by offering generous bursary schemes and fee waivers that are particularly targeted towards those from low income backgrounds who are assessed as eligible for state support. It also capped its postgraduate taught course tuition fees at £9k for students from any country.

In 2012/13 the RAU received £30k from HEFCE under the National Scholarship Scheme together with £244k in recognition of the additional costs of supporting Widening Participation activities and for ensuring student success (including improving retention). These equate to 1.7% of total income (1.4%; 2011/12). This income stream is designed to support the University in meeting the additional costs of recruiting and retaining students from low participation areas or groups.

The University alerts all prospective and continuing students to the opportunities for financial support provided through HEFCE Access Funds and its own bursary and scholarship schemes for outstanding achievers, sports, students from low participation areas as well as a range of awards from outside

# Royal Agricultural University

trusts. These are advertised on the RAU website and through promotional literature used in recruitment.

In 2012/13 the introduction of the £9k higher fee has caused a move away from bursaries towards tuition and accommodation fee waivers. The total value of bursaries and fee waivers awarded this year amounts to £567k (2011/12: £506k).

In addition the University has distributed £8k Access funds to eight students; (2011/12: £5k; six students); provided Skills training bursaries and Employability Project awards worth £60k (2011/12: £60k) and it offers discounts up to 20% of tuition fees for RAU graduates who return to carry out postgraduate study. 19 of these were awarded in 2012/13 (2011/12: 14) with 18 more for October 2013 entrants.

To encourage local recruitment and enable students to reduce the cost of higher education by living at home and studying, the University launched its new RAU Cirencester Scholarship for 2013/14. This scholarship provides a fee waiver of up to £3k each p.a. for new undergraduate or postgraduate students who live or study within 10 miles of Cirencester and who can demonstrate academic excellence.

In the 2012/13 academic year the University introduced a Principal's Postgraduate Overseas Award (PPOA) as a scholarship intended to promote further the diverse international community at the University. New taught postgraduate overseas students from India, South America, South Africa, Malaysia and Singapore are eligible. These bursaries are intended to support the diverse nature of the student community.

The community nature of the learning environment supports a range of students who might not otherwise benefit from higher education. The RAU recruited approximately 13% (2012:12%) undergraduate students from backgrounds designated by HEFCE as "disadvantaged" and 14.2% were in receipt of the Disabled Student Allowance. The University employs a Disability Officer who manages all issues surrounding dyslexia and disability. There are many types of disability; visible or hidden; physical (sight, speech, hearing or mobility impairment) or mental health impairments or long term medical conditions. The most frequently encountered is dyslexia and the University employs a specialist dyslexia tutor.

Public benefit is provided by the University's specific learning environment, the international dimension of its activities, and the achievements of its students and alumni. The education on offer not only enables individual development but also enriches the wider society by equipping future employees for a career in the land-based and food industries and through its research into these areas. RAU students make a vital contribution to the UK's efforts to address the challenges of food security.

Students undergo work placements as part of their course and use of the University farms as an outdoor laboratory is integral to the education provided. Students undertook 5,758 farm learning hours during the academic year (2012: 3,566).

The activities of the Business Development Centre in knowledge transfer assist in raising the awareness of its subject areas. In 2012/13 the University provided 3,778 training days for students, farmers, members of the financial and utilities sectors and government organisations, run at the University, Harnhill and Coates Farms (2012: 3,206).

# Royal Agricultural University

With the aim of developing the leaders of tomorrow and adding value to students' degrees, and providing better graduate employment to the student beneficiaries, the University promotes Student Enterprise projects. These include:

- the Grand Idea which actively encourages external business people and entrepreneurs to get involved with supporting the budding student entrepreneurs at the RAU;
- The Muddy Wellies social enterprise provides real life experience of commercial activity to supplement Business degrees;
- The First Steps Fund which was designed to provide a proof of concept fund to students studying at the RAU; four awards were made in 2012/13.

Such projects are designed to improve the life skills of RAU graduates, allowing them to contribute to the local community and greater society. This flows through into the University's employability statistics which bear out the educational merit and value its courses deliver to society. Over the past five years the 94% graduate employability rate puts the RAU amongst the top 10 universities in the UK. The provision of a steady stream of high-calibre graduates benefits not only the industries the University serves, but also employers and the economy.

The wider public benefits from the training and education on offer at the University. These activities range from professional updates for chartered surveyors and banks to hands on vocational skills training for the rural workforce.

The University, together with the Frank Parkinson Agricultural Trust, has invested £1,200k in a new rural centre of excellence on Harnhill Farm. This is scheduled to open Autumn 2013. It will be an important development for the agricultural sector, allowing the University to further its research and learning activities in relation to agriculture, the food chain and global food security. The new Centre will enable the sharing of cutting-edge knowledge between those involved in agricultural production and those undertaking applied research, enabling the promotion of education, innovation and knowledge exchange in the "field".

As a "knowledge hub", the Harnhill Centre will also provide a major new on-farm resource for the wider rural sector and the local community and will include classrooms, offices, a demonstration area, community space, and meeting rooms. The Centre will allow the University to build on the vocational rural skills and specialist professional training it already provides to enterprises, businesses and individuals wanting to drive efficiency and performance.

As an extension of the RAU Outreach programme, local school children will also benefit from the new "on-farm" Centre. The RAU organises a number of events each year to provide primary and secondary school pupils with an insight into university life and a deeper understanding of agriculture and food production.

The RAU has developed strong links with the University of Gloucestershire. The main thrust of the RAU outreach activity is to recruit students from non-traditional backgrounds (urban and/or different socio-economic groups) and it plans to do this by

- Raising aspirations and achievement;
- Ensuring support during study;
- Increasing collaboration with Schools and Further Education Colleges in the target areas, including Progression Agreements, STEM subject enrichment, student mentoring and specifically targeted scholarships and bursaries;
- Providing targeted promotional materials;

# Royal Agricultural University

- Continuing to develop Outreach Activity such as the Muddy Boot Camps.

The RAU acts as a venue for regular public lectures that disseminate the latest research outputs and policy decisions relating to agriculture, land use and food supply to a wider audience. The speaker at the 2012/13 flagship Bledisloe Memorial lecture (attended by 381 persons) was Professor Sir John Sulston FRS speaking on "People and the Planet". The next such lecture in November 2013 will be delivered by the Rt. Hon David Willetts MP, Minister of State for Universities and Science taking "Science, Technology and Agriculture" as the theme for his presentation.

## *Research*

The Douglas Bomford Trust has part-funded a Chair in Farm Mechanisation and Management and the University was pleased to welcome Professor Toby Mottram as the first post-holder. Professor Mottram's inaugural lecture entitled "Beyond Boudoir: Towards the 20,000 litre average cow" took place at the Royal Academy of Engineering in October 2013 with a repeat at the University shortly thereafter.

The University intends that the useful knowledge acquired from its research activities is disseminated to the public and to those able to utilise or benefit from it. The University has increased the level of trial and research work taking place on the University-owned farms. During these projects, students and lecturers gain access to field-scale trials, treatments and see the results in progress. The trial managers engage with students and staff, and the University gains up to the minute results which allow students to understand the sector's future. The research projects often employ placement students, and open days and farm walks for students are hosted by these companies.

The University expects that any private benefit will be legitimately incidental to the achievement of its primary charitable objectives for public benefit. Accordingly the Governors have established an Ethics Committee to advise the University less the commercial application of its research and consultancy might give rise to harm. The University maintains an ethical research policy. Externally funded research activity is assessed prior to acceptance in terms of the public benefit test for charitable purpose.

PhD studies at the RAU are validated by Coventry University, which uses 'CU Ethics', an online application designed to provide the facility for academics and students to submit ethics applications for research projects. The University is environmentally aware and has embedded environmental stewardship into many of its programmes.

## **Human Resources**

The RAU acknowledges that as an educational provider it has a unique responsibility to support and encourage the development of its staff, and recognises that staff development and training can play a critical role in building the capability of its workforce. Staff Development is embedded within the appraisal process which both identifies training needs for the current role and supports development needs.

The University runs a two year programme for graduate trainees with the aim of promoting employability for young people in the wider community. Three trainees were taken on in 2011/12; five in 2012/13 and a further one in 2013/14. The programme has proved successful with the first three gaining professional qualifications and securing professional level external employment.

# Royal Agricultural University

## **Inclusivity, Equality and Diversity**

The University recognises the value and dignity of each individual and will treat them with fairness and respect. The University acknowledges the adverse effect any form of discrimination will have on individuals, as regards their personal life, their career or academic progress.

## **Fundraising**

In order further to expand facilities at the University and increase the bursaries and financial support available to student beneficiaries, the RAU has launched a regular giving programme, the Cirencester Fund. This fund is targeted at alumni and seeks to build a wide foundation of lower level donations to complement corporate philanthropy. Enabling alumni to start giving with smaller regular contributions is important in building the University's longer-term philanthropy, and identifying the major donors of the future. The Cirencester Fund will fund projects that will add value to the academic and extra-curricular experience of RAU students; for example, Scholarships and Bursaries, Library services and Student Facilities.

## **Environmental policy**

The RAU takes its environmental responsibilities seriously and is working both on embedding sustainability within the curriculum (a theme of the 2013 Academic Staff Development day) and in its broader operational activities. The RAU has an Environmental and Sustainability Strategy Committee with strong governor representation. Reducing the University carbon footprint is an important objective of the 2011 Carbon Management Plan which targets 34% reduction in carbon emissions by 2020. The University now generates energy from renewable sources with the biomass district heating system (installed 2011) and an air source heat pump on campus. It has invested in environmentally-friendly LED street and public space lighting, which uses only 30% of the equivalent energy of conventional lighting. In 2013 it is promoting car sharing for students and staff. It has also employed an additional member of staff to help develop an industry accredited environmental management system.

## **Health and Safety**

The RAU is committed to providing a healthy and safe environment for its students and staff. The Health and Safety Committee meets three times a year and reports directly to the Board of Governors. It adopted a Health and Safety Management Application profile (HASMAPP) as the basis for a health and safety indicator and has targeted a level 2 score by the end of 2013.

A separate compliance audit has been carried out based on each functional area of activity and is graded against ten performance indicators. The University's score has risen from an overall compliance level of 50% in 2008 to 87% by October 2013.

## **Going Concern**

It is clear the Higher Education sector is in a period of considerable change. The University has been in business since 1845 and has successfully weathered financial challenges in the past and will adapt as necessary to succeed. The Governors, having made appropriate enquiries, are satisfied that the University has adequate resources to continue in operational existence. Both University Management and its Board of Governors continue to keep the operations of the business under constant review. For these reasons it continues to adopt the going concern basis in preparing the financial statements.

# Royal Agricultural University

## **Risk Management: Statement of internal control**

The Governing Council of the University is responsible for maintaining a sound system of internal control that supports the achievements of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Council in the University's Memorandum and Articles and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The Governing Council of the University is required to express a view as to whether its processes are adequate in accordance with the direction from the HEFCE for identifying, evaluating and managing the University's risks during the year. The appropriate committees of the Governing Council have considered these processes and are of the view that they are adequate. Nevertheless, the University seeks to continue to strengthen them.

The aforementioned policies and procedures have continued to be developed and the Governing Council of the University is satisfied that the University's internal control and risk management assessments meet the requirements set out by HEFCE in their circular 20/2011 "Revised Accounts direction to higher education institutions for 2010/11".

As part of the annual update of operational risks that feed into the strategic risk register a traffic light self-assessment system is used and both inherent and residual risk is scored. Key strategic risks are assigned by theme to Senior Managers within the University. There is a three tier hierarchy of risk registers ranging from the operational, departmental registers to the strategic, higher level registers. Senior Management Group reviews and updates the strategic risk registers annually with a final report to the Audit Committee and Governing Council in the summer. Regular reports have been made to the Planning and Resources Committee, Audit Committee and Governing Council on risk management within the University.

The Audit Committee is tasked to provide oversight and advice on the effectiveness of the establishment and implementation of risk management. It carries out a six monthly review of the strategic register. The Governors receive periodic reports from the Chairman of the Audit Committee concerning internal control.

The Internal Audit function is carried out by KPMG an external firm of Chartered Accountants. Their programme of work is built upon a risk based approach with focus on key strategic risks, value for money and any areas of suspected weakness that might require further attention. The Internal Auditors operate to standards defined in the HEFCE Audit Code of Practice and submit regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Governors' review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the

# Royal Agricultural University

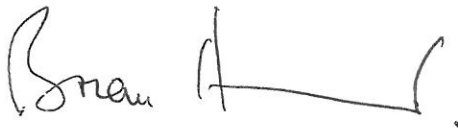
external auditors in their management letter and other reports to Governors and management. On the basis of this information the Governors identify areas where actions are required to improve the effectiveness of the systems of internal control and steps are taken to address these.

Each Governor, being a Director of the limited company, has made a formal statement that, so far as they are aware, there is no relevant audit information of which the University's auditors are unaware, and they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Since 2006, the University's Articles of Association allow the Governors to have Directors' Indemnity Insurance and Qualifying Third Party Indemnity provision as permitted by the Companies Act 2006.

## **Independent Auditors**

PricewaterhouseCoopers LLP was appointed Auditor to the Company, following a resolution at the July 2012 meeting of Council, and took over from BDO LLP effective from 1 August 2012.

A handwritten signature in black ink, appearing to read "Brian Hilton". The signature is written in a cursive style with a large initial 'B' and a long horizontal stroke at the end.

Brian Hilton  
Chairman  
22 November 2013

# Royal Agricultural University

## Independent Auditors' Report to the Governing Council of Royal Agricultural University

We have audited the group and parent institution financial statements (the "financial statements") of Royal Agricultural University for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Recognised Gains and Losses, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of the governing body and auditors

As explained more fully in the Statement of the Governing Council's responsibilities, the Governing Council (who are also the directors of the institution for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

This report, including the opinions, has been prepared for and only for the institution's governing body in accordance with section 124B of the Education Reform Act 1988, Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### 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 group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements 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:



# Royal Agricultural University

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2013, and of the group's income and expenditure, recognised gains and losses and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent institution or returns adequate for our audit have not been received from branches not visited by us; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion:

- the statement of internal control is inconsistent with our knowledge of the parent institution and group.

Lynn Pamment (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors  
Bristol  
Date

# Royal Agricultural University

## Statement of Principal Accounting Policies and Estimation Techniques

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and its successors, the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education Institutions 2007 and UK General Accepted Accounting Standards.

The financial statements have been prepared on the going concern basis.

### **Format of the financial statements**

The University has taken advantage of adapting its own arrangement of the headings and sub-headings of its financial statements due to the special nature of its business in accordance with Section 404 (5) of the Companies Act 2006.

The following accounting policies have been applied consistently in dealing with items that are considered material to the financial statements.

### **Basis of consolidation**

The consolidated income and expenditure account and balance sheet include the University and Royal Agricultural University Enterprises Limited. As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account of the University is presented. Intra-group sales and profits are eliminated fully on consolidation. Accounting policies have been applied consistently across the group.

### **Income recognition**

Funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of any discount or fee waiver. Bursaries and scholarships are treated as expenditure and therefore are not deductions within operating income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of performance are recognised on the balance sheet as liabilities. Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers against the order received or the terms of the contract have been satisfied.

# Royal Agricultural University

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increases in value arising on the revaluation of fixed asset investments are carried as a credit to the revaluation reserve via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus.

Increases/decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation/depreciation of endowment assets are added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

## **Agency arrangements**

Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure of the University.

## **Leases and hire purchase contracts**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

## **Taxation**

The University is a registered charity and is classed as a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 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 University receives no similar exemption in respect of Value Added Tax (VAT). The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Irrecoverable VAT on inputs is included in the costs of such expenditure. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

# Royal Agricultural University

The University's wholly owned subsidiary company – Royal Agricultural University Enterprises Limited – is liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation but it gift aids all its taxable profits to the University and thereby does not incur any corporation tax liability.

## **Accounting for intangible fixed assets**

An intangible asset purchased separately from a business is capitalised at its cost and amortised over its useful economic life. The University has one intangible asset relating to a milk quota, which is fully amortised.

## **Apportionment of costs**

Where costs are apportioned between cost headings the apportionment is carried out in such a way as to best reflect the time spent by staff in carrying out their duties in the different operations of the University.

## **Tangible fixed assets for University use**

Tangible asset additions whose cost of acquisition exceeds £10k are capitalised. Items costing less than this are written off in the year of purchase.

Fixed assets are stated in the balance sheet at cost or, in the case of the property at 2 Chesterton Park and Harnhill Manor Farm, at open market value. The valuation of 2 Chesterton Park as at 31 July 2012 was carried out at 22 August 2012 by Thomson & Partners. Harnhill is included at open market value as per the valuation carried out by Moore Allen & Innocent LLP on 9 August 2012. Cost of fixed assets includes interest on borrowings to finance the construction of assets to the extent that such interest accrues in respect of the period of construction. Properties held at open market value are re-valued every three years.

During the year, 2 Chesterton Park was reclassified as a Tangible fixed asset held for investment purposes and was therefore transferred to that category of asset on the balance sheet.

## **Tangible fixed assets held for investment purposes**

These properties have been separately identified and are recorded in the balance sheet at their market value, as described in note 14 to the Financial Statements, and are not depreciated.

Any increase or decrease in valuation is recorded as an unrealised gain or loss in the statement of total recognised gains and losses.

The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice (SSAP) 19. The Governors consider that as these properties are being held for investment purposes, to depreciate them would not give a true and fair view; therefore, the treatment advocated by SSAP 19 has been adopted.

## **Acquisition with the aid of specific grants**

Where tangible fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the

# Royal Agricultural University

related asset on a basis consistent with the depreciation policy.

## Depreciation

Depreciation is provided on tangible fixed assets and intangible fixed assets at rates calculated to write off the cost, less estimated residual value, over expected useful lives on a straight line basis as follows:

Freehold buildings	2%
Fixed fixtures and fittings	10%
Plant and machinery	20%
Computers and software	20% or 25%
Farm plant and machinery	10% or 20%
Freehold land is not depreciated.	

## Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

## Investments

Listed investments held as fixed assets or endowment assets are shown at market value.

Gains and losses arising on investment assets, through change in valuation, are disclosed as an unrealised gain or loss in the statement of total recognised gains and losses. Gains or losses arising from the disposal of assets are disclosed in the income and expenditure account as realised, being the difference between the sales proceeds and the market value at the beginning of the year.

The University's investment in its wholly owned trading subsidiary (share capital) is carried at cost.

## Heritage assets

Heritage Assets relate primarily to two groups of vintage assets which are of significant value to the study of agriculture and the rural environment and comprise:

- (1) certain displayed paintings including past University Governors, principals, and other senior staff, and agricultural scenes; and
- (2) a collection of books and manuscripts of historical importance from the 16<sup>th</sup> to 19<sup>th</sup> centuries on subjects including animal husbandry, botany and natural history. Some of these manuscripts are on permanent display but otherwise available for public viewing by arrangement with the University Library. These assets have been gifted or purchased by the University over the years since its establishment in 1845, and if capitalised originally, no longer feature in the fixed asset register.

The two groups of assets are stated at insurance valuation in the financial statements (based on valuations carried out in the Spring of 2010 by Messrs Dreweatts for furniture, paintings, silver etc and Messrs Bloomsbury Auctions for books), and the valuations are not subject to depreciation. There is no reason to believe that there has been any impairment in the value of these assets.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

# Royal Agricultural University

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. Farms stocks are valued in accordance with the Royal Institution of Chartered Surveyors and the Central Association of Agricultural Valuers Guidance Notes. For University stocks, cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

## **Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily disposable stores of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

## **Foreign currency translations**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

## **Accounting for research and development**

Expenditure on pure and applied research is treated as a part of the continuing activities of the University. Expenditure on development activities is carried forward and amortised over the period expected to benefit.

## **Intra group transactions**

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associated company are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the University's share is eliminated.

## **Accounting for charitable donations**

### **Unrestricted donations**

Charitable donations are recognised in the financial statements when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

### **Endowment funds**

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

# Royal Agricultural University

- Restricted permanent endowments - the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the University and is therefore unrestricted;
- Unrestricted permanent endowments - these are expendable at the discretion of the Trustees with no requirement that capital be maintained.
- Expendable endowments - where Trustees have the power of discretion to convert endowed capital into income.

## **Total return on investment for permanent endowments**

The entire investment return initially accrues to an unapplied total return fund. Any income earned on the endowment investments and any capital gains or losses will be shown as 'endowment and investment income' in the income and expenditure account.

The total return, less any part of the return which has previously been applied to meet the intentions of the donor remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

## **Donations for fixed assets**

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

## **Gifts in kind, including donated tangible fixed assets**

Gifts in kind are included in 'endowment and investment income' in the income and expenditure account either using a reasonable estimate of their gross value or the amount actually realised.

## **Accounting for retirement benefits**

Retirement benefits were provided to many employees of the University by its own defined benefit scheme funded by contributions from the University. The defined benefit scheme is an independently administered scheme whose funds are valued every three years by a professionally qualified independent actuary - the rates of contribution payable being determined by the actuary.

Since October 2010 teaching staff have been active members of the Teachers' Pension Scheme (TPS), whose accounting treatment is outlined in note 25.

The University also participates in the Federated Superannuation System for Universities (FSSU) pension scheme which is treated as a defined benefit scheme. This is an independently administered scheme, which is supplemented by discretionary payments.

Financial Reporting Standard 17 "Accounting for Retirement Benefits" (FRS 17) requires the assets of defined benefit schemes to be measured at market value at each balance sheet date and the liabilities to be measured using a specified actuarial valuation method and to be discounted using a corporate bond rate. The costs to the University of funding its own Defined Benefit Scheme is accounted for in accordance with FRS 17.

# Royal Agricultural University

The University also operates two defined contribution schemes which are independently administered schemes. The contributions paid by the University to the defined contribution schemes are charged as expenditure in the year in which they are payable, in accordance with FRS17.

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the Trustee, the Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme.

## **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) 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. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits or an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present, asset arising from a past event.

## **Student Union Activities**

As described in note 35, the activities of the Students' Union have been transferred into a separate entity from 1 August 2013. This has not been treated as discontinued activities as it has not changed the overall nature of the activities of the University. The result in the Income and Expenditure account therefore all relates to continuing activities.



# Royal Agricultural University

## Consolidated income and expenditure account for the year ended 31 July 2013

	Notes	2013 £'000	2012 £'000
<b>Income</b>			
Funding body grants	1	<b>3,998</b>	4,666
Tuition fees and education contracts	2	<b>6,983</b>	5,512
Research grants and contracts	3	<b>62</b>	79
Other income	4	<b>5,257</b>	5,806
Endowment and investment income	5	<b>47</b>	55
Total income		<b>16,347</b>	16,118
<b>Expenditure</b>			
Staff costs	7	<b>7,608</b>	7,308
Other operating expenses	10	<b>7,742</b>	7,391
Depreciation of tangible fixed assets	13	<b>855</b>	764
Interest and other finance costs	8	<b>298</b>	346
Total expenditure		<b>16,503</b>	15,809
<b>(Deficit) / Surplus after depreciation of tangible fixed assets at valuation and before tax</b>			
		<b>(155)</b>	309
Profit/(Loss) on disposal of fixed assets	11a	<b>1,426</b>	(34)
Realised loss on investments	11b	-	(28)
<b>Surplus for the year retained within general reserves</b>			
	26	<b>1,270</b>	247

The Income and Expenditure account is in respect of continuing activities.

# Royal Agricultural University

## Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2013

	Notes	2013 £'000	2012 £'000
Surplus after depreciation of tangible fixed assets and disposal/ diminution of assets.		1,270	247
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	26	10	14
<b>Historical cost surplus for the year</b>		<b>1,280</b>	261

## Consolidated statement of total recognised gains and losses for the year ended 31 July 2013

	Notes	2013 £'000	2012 £'000
Surplus after depreciation of tangible fixed assets at valuation and disposal/ diminution of assets.		1,270	247
Movement in unrealised gain on investments	27	180	9
Unrealised (deficit) / surplus on revaluation of fixed assets	27	(124)	1,310
Actuarial loss recognised in respect of the pension schemes	25	(295)	(2,942)
Endowments net of disbursement	16 & 23	-	-
<b>Total recognised gains / (losses) relating to the year</b>		<b>1,031</b>	(1,376)

### Reconciliation

Opening reserves and endowments		8,310	9,686
Total recognised gains / (losses) relating to the year		1,031	(1,376)
<b>Closing reserves and endowments</b>		<b>9,341</b>	8,310

## Balance sheets at 31 July 2013

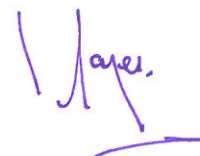
		Group 2013 £'000	2012 £'000	University 2013 £'000	2012 £'000
<b>Fixed assets</b>					
Intangible assets	12	-	-	-	-
Tangible assets	13 & 14	21,931	20,951	21,931	20,951
Other investments	15	1,049	873	1,099	923
<b>Total fixed assets</b>		<b>22,980</b>	21,824	<b>23,030</b>	21,874
<b>Endowment assets</b>	16	<b>164</b>	164	<b>164</b>	164
<b>Current assets</b>					
Stocks	17	484	390	453	357
Debtors	18	1,438	1,374	1,636	1,493
Cash at bank and in hand		2,206	2,250	1,903	1,981
		4,128	4,014	3,992	3,831
<b>Less: Creditors - amounts falling due within one year</b>	19	<b>(2,804)</b>	(2,925)	<b>(2,718)</b>	(2,792)
<b>Net current assets</b>		<b>1,324</b>	1,089	<b>1,274</b>	1,039
<b>Total assets less current liabilities</b>		<b>24,468</b>	23,077	<b>24,468</b>	23,077
<b>Less: Creditors - amounts falling due after more than one year</b>	20	<b>(5,402)</b>	(4,808)	<b>(5,402)</b>	(4,808)
<b>Less: Provisions for liabilities</b>	21	<b>(48)</b>	(44)	<b>(48)</b>	(44)
<b>Net assets excluding pension liability</b>		<b>19,018</b>	18,225	<b>19,018</b>	18,225
Net pension liability	25	<b>(8,108)</b>	(8,190)	<b>(8,108)</b>	(8,190)
<b>Net assets including pension liability</b>		<b>10,910</b>	10,035	<b>10,910</b>	10,035
<b>Represented by:</b>					
Deferred capital grants	22	1,569	1,725	1,569	1,725
Expendable endowments	23	164	164	164	164
Share capital	24	1	1	1	1
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	26	12,800	11,897	12,800	11,897
Pension reserve	25	<b>(8,108)</b>	(8,190)	<b>(8,108)</b>	(8,190)
Income and expenditure account including pension reserve	26	4,692	3,707	4,692	3,707
Revaluation reserve	27	4,484	4,438	4,484	4,438
<b>Total Funds</b>		<b>10,910</b>	10,035	<b>10,910</b>	10,035

The financial statements on pages 33 to 70 were approved and authorised for issue by Governing Council on 22 November 2013 and were signed on its behalf on that date by:

Brian Hilton  
Governor



Julian Sayers  
Governor



# Royal Agricultural University

## Consolidated cash flow statement for the year ended 31 July 2013

	Notes	2013 £'000	2012 £'000
Net operating cash flows before annual pension deficit payments	29	433	328
Annual pension payment under pension recovery plan	29	(483)	(400)
<b>Net cash outflow from operating activities</b>	29	<b>(50)</b>	<b>(72)</b>
<b>Returns on investments and servicing of finance</b>			
Other interest received	5	14	23
Interest paid	8	(192)	(181)
		<b>(178)</b>	<b>(158)</b>
<b>Capital expenditure and financial investment</b>			
Payments made to acquire fixed assets	13	(2,094)	(2,057)
Proceeds from sale of fixed assets	11 & 13	1,511	3
Payments made to acquire investments		-	(345)
Proceeds from sale of investments		-	345
Deferred capital grants received	22	32	-
		<b>(551)</b>	<b>(2,054)</b>
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(779)</b>	<b>(2,284)</b>
<b>Management of liquid resources</b>	5	<b>33</b>	32
<b>Financing</b>	30	<b>678</b>	1,258
<b>Decrease in cash</b>		<b>(68)</b>	<b>(994)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
	Notes	2013 £'000	2012 £'000
<b>Decrease in cash in the year</b>		<b>(68)</b>	<b>(994)</b>
Increase in Debt	30	(678)	(1,258)
<b>Increase in Net Debt</b>		<b>(746)</b>	<b>(2,252)</b>
Net Debt Funds at 1 August		(2,734)	(482)
<b>Net Debt at 31 July</b>	31	<b>(3,480)</b>	<b>(2,734)</b>

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013

### 1. Funding body grants

	2013 £'000	2012 £'000
Grants from Higher Education Funding Council for England (HEFCE):		
<b>Recurrent grant</b>	<b>3,509</b>	3,965
<b>Specific grants:</b>		
- Teaching Enhancement & Student Success (TESS)	<b>244</b>	223
- Economic Challenge Investment Fund (ECIF)	-	35
- Fundraising	-	178
- National Scholarship Programme	<b>30</b>	-
- Research	<b>65</b>	89
- Higher Education Innovation Fund (HEIF)	-	50
<b>Deferred capital grants released in the year:</b>		
- Buildings (see note 22)	<b>107</b>	114
- Equipment (see note 22)	<b>43</b>	12
	<b>3,998</b>	4,666

### 2. Tuition fees and education contracts

	2013 £'000	2012 £'000
<b>Students:</b>		
Full time home and EU students	<b>5,035</b>	3,788
Full time international students	<b>876</b>	640
Students taught overseas	<b>199</b>	196
Part time students	<b>207</b>	167
	<b>6,317</b>	4,791
<b>Short courses</b>	<b>666</b>	721
	<b>6,983</b>	5,512

Of the above tuition fees, £258k were met by the Higher Education Bursary Scholarship Scheme top-up bursaries funded by the Royal Agricultural University (2012: £306k).

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 3. Research grants and contracts

	2013 £'000	2012 £'000
Research councils and charities	21	47
Industry and commerce	9	-
Other grants and contracts	32	32
	<b>62</b>	79

### 4. Other income

	2013 £'000	2012 £'000
Residences, catering and conferences	3,102	3,234
Consultancy	176	227
Regional projects	213	171
Farming	667	711
Released from deferred capital grants (note 22)	38	42
Income from student union activities	269	377
Campus shop income	209	232
Property letting income	181	186
Other income	402	626
	<b>5,257</b>	5,806

### 5. Endowment and investment income

	2013 £'000	2012 £'000
Income from short term investments	33	32
Other interest receivable	14	23
	<b>47</b>	55

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 6. Net income from trading activities of subsidiaries

Royal Agricultural University Enterprises Limited	2013 £'000	2012 £'000
<b>Profit and loss account</b>		
Income	1,182	1,138
Cost of sales	(885)	(923)
<b>Gross profit</b>	<b>297</b>	215
Interest receivable	1	1
<b>Profit before charitable contribution</b>	<b>298</b>	216
Gift Aid payment to parent company	(298)	(216)
<b>Retained in subsidiary</b>	-	-

Royal Agricultural University Enterprises Limited is registered and incorporated in England and Wales (Reg no 2752048). Its principal business activities are the provision of residential conference facilities, consultancy and retail. Of the turnover of the subsidiary £29k (2012: £59k) is from overseas.

The other wholly owned subsidiary is the Royal Agricultural College Limited (see note 15).

### 7. Staff costs

	2013	2012
<b>Average weekly staff numbers by major category</b>		
Academic	45	43
Residential	76	73
Office, management and technical	82	79
Farming	2	2
	<b>205</b>	<b>197</b>

Staff costs	2013 £'000	2012 £'000
Wages and salaries	6,465	6,197
Social security costs	575	545
Other pension costs	568	566
	<b>7,608</b>	7,308

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 7. Staff costs (continued)

No remuneration was paid to Governors (who are also directors) during the year. The aggregate directors' emoluments during the period were £Nil (2012: £Nil) and no amounts are accruing to any of the University's pension schemes.

The emoluments of the staff representatives on Governing Council in year, in their respective roles as employees of the University, totalled £136k (2012:£132k) including pension contributions of £16k (2012:£15k) and taxable benefits. There are 3 staff representatives on Governing Council (2012:3).

The emoluments of the Principal in the year totalled £161k (2012: £173k) including pension contributions of £Nil (2012: £15k) and an allowance for occupancy of University property as one of the conditions of employment.

There were no other higher paid employees who received emoluments above £100k.

### 8. Interest and other finance costs

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Loans wholly repayable within five years	<b>7</b>	10
Loans repayable wholly or partly in more than five years	<b>185</b>	171
	<b>192</b>	181
Net interest charge on defined benefit pension scheme (note 25)	<b>106</b>	165
	<b>298</b>	346



# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 9. Expenditure

Total expenditure is stated after charging/(crediting):	2013 £'000	2012 £'000
External auditors' remuneration in respect of audit services (Royal Agricultural University £21,800; 2012:£32,600)	22	33
Internal auditors' remuneration in respect of audit services (Royal Agricultural University £14,138; 2012:£15,777)	14	16
Depreciation charge for the period:		
- Tangible fixed assets (note 13)	855	764
Gain on sale of Coates	(1,426)	-
Loss on sale of other tangible assets for Royal Agricultural University use	50	34
Hire of land and buildings: operating leases	69	64
Hire of plant and machinery: operating leases	27	29
Governors' travel expenses	4	4
(Ten Governors received travel expenses in the year, there were eleven in 2011/12)		

### 10. Analysis of other operating expenses

	2013 £'000	2012 £'000
Academic departments	1,801	1,980
Academic services	1,121	990
Research grants	121	60
Consultancy	102	42
Residences, catering and conferences	827	933
Premises	1,642	1,373
Central administration	768	707
General education expenditure	298	267
Staff and student facilities	763	848
Others including general endowment expenditure	299	191
<b>Total per income and expenditure account</b>	<b>7,742</b>	<b>7,391</b>

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 11a. Profit/(loss) on disposal of fixed assets

	2013 £'000	2012 £'000
Profit/(Loss) on disposal of land and buildings	1,426	(27)
Profit/(Loss) on disposal of plant and equipment	-	(7)
	<b>1,426</b>	<b>(34)</b>

### 11b. Provision for diminution of investment value below cost

	2013 £'000	2012 £'000
Realised loss on investments	-	(28)
	-	(28)

## 12. Intangible fixed assets

Group and University	2013 £'000	2012 £'000
<b>Cost</b>		
At 1 August	57	57
Additions	-	-
<b>At 31 July</b>	<b>57</b>	<b>57</b>
<b>Accumulated Amortisation</b>		
<b>At 31 July</b>	<b>57</b>	<b>57</b>
<b>Net book value</b>		
<b>At 31 July</b>	-	-
At 31 July		-

These figures relate to milk quota purchased in 1994.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 13. Tangible fixed assets for Royal Agricultural University use

Group and Royal Agricultural University	Freehold land and building at valuation £'000	Freehold land and buildings at cost £'000	Assets in course of construction at cost £'000	Heritage assets at valuation £'000	Fixtures, fittings and equipment at cost £'000	Total 2013 £'000	Total 2012 £'000
<b>Cost/Valuation</b>							
At 1 August	5,745	15,879	2,275	525	2,807	27,231	23,979
Additions	-	3,622	(1,784)	-	256	2,094	2,057
Reclassification of assets	(300)	-	-	-	-	(300)	-
Disposals	(63)	(195)	-	-	(48)	(306)	(89)
Revaluation during the year (see Note 27)	(150)	-	-	-	-	(150)	1,284
<b>At 31 July</b>	<b>5,232</b>	<b>19,306</b>	<b>491</b>	<b>525</b>	<b>3,015</b>	<b>28,569</b>	<b>27,231</b>
<b>Accumulated Depreciation</b>							
At 1 August	-	5,791	-	-	1,789	7,580	6,895
Provided during the year (see Note 9)	26	570	-	-	259	855	764
Eliminated on disposal	-	(124)	-	-	(47)	(171)	(53)
Revaluation during the year	(26)	-	-	-	-	(26)	(26)
<b>At 31 July</b>	<b>-</b>	<b>6,237</b>	<b>-</b>	<b>-</b>	<b>2,001</b>	<b>8,238</b>	<b>7,580</b>
<b>Net book value</b>							
<b>At 31 July 2013</b>	<b>5,232</b>	<b>13,069</b>	<b>491</b>	<b>525</b>	<b>1,014</b>	<b>20,331</b>	
At 31 July 2012	5,745	10,088	2,275	525	1,018		19,651

As at July 2012, the freehold land and building at valuation comprised Chesterton Park (£300k) and Harnhill Manor Farm (£5,445k), both of which were revalued in July 2012. These valuations were conducted by Thomson & Partners and Moore, Allen & Innocent LLP respectively. The net book value as at July 2013, of £5,232k, represents a fall of £513k during the year, £213k due to the redevelopment of Harnhill Manor Farm upper and lower yards involving demolition and then new builds still underway as at July 2013 (represented by the £491k assets in the course of construction) and also the reclassification of Chesterton Park (£300k) as an investment asset. Harnhill Manor Farm is held in the accounts at valuation on the basis that it is a recently acquired self-contained farming unit which is separate from the remainder of the owned estate and as such can be separately identified.

The valuation was done on the basis of Market Value and in accordance with the requirements of the RICS Appraisal and Valuation Standards and the International Valuation Standards.

The £491k of assets in the course of construction relate entirely to the Harnhill redevelopment. Due for completion Autumn 2013.

Within freehold land and buildings at cost, Bailey Lodge and Steadings Cottages, included at net book values of £24k and £56k respectively, have been pledged to the pension trustees towards the deficit in the University's defined benefit pension scheme.

The Governors are not aware of any material change in the value of assets held at valuation.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 14. Tangible fixed assets for investment purposes

Group and University	2013 £'000	2012 £'000
<b>Freehold land and buildings at valuation</b>		
At 1 August	1,300	1,300
Reclassification of assets (see note 13)	300	-
At 31 July	1,600	1,300

Tangible fixed assets held for investment purposes, representing freehold land and buildings held at 31 July 2012, are included at not less than their open market values.

A valuation of the freehold land buildings was prepared at 31 July 2012 by Thomson & Partners, an independent firm of chartered surveyors and land agents.

The valuations were prepared on the basis of Market Value and in accordance with the requirements of the RICS Appraisal and Valuation Standards and the International Valuation Standards.

The movement in the year is due to Chesterton Park being reclassified from an asset at valuation.

Original cost of the investment properties was £413k.

### 15. Other investments

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
At 1 August	873	892	923	942
Net unrealised profit/(loss) on revaluation:				
Taken to revaluation reserve (note 27)	180	9	180	9
Taken to income & expenditure account	(4)	(28)	(4)	(28)
At 31 July	1,049	873	1,099	923

Quoted investments held at 31 July 2013 are included at their stock market value. The valuations have been provided by the Royal Agricultural University's investment managers, Cazenove Fund Management, based on stock market quoted prices at the year end date. During the year the investment mix of Equity unit funds and portfolios changed, although the holding remained the same. Although there was no change in the holdings, as the investment mix changed, any dividend included in the purchase price of new funds is then adjusted for at the end of the dividend period. This resulted in a realised loss in the year of £4k. Investments were valued at £1,049k as at 31 July 2013, with a book value of £825k, resulting in a £224k unrealised gain as at 31 July 2013, an increase of £180k from £44k at 31 July 2012.

Included in investments is £50k of share capital in Royal Agricultural University Enterprises Limited, whose principal activities are residential conferences facilities, consultancy and retail. The subsidiary company is included in the consolidation and is registered in the UK.

Also included within investments is the Royal Agricultural College Limited, incorporated 23rd May 2013. This is a wholly owned subsidiary, which has yet to commence trading.

The Governors believe that the carrying value of the investments is supported by their underlying net assets.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 15. Other investments (continued)

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Other investments are analysed as follows:</b>				
Listed (at market value)	<b>1,049</b>	873	<b>1,049</b>	873
Unlisted (at cost)	-	-	<b>50</b>	50
At 31 July	<b>1,049</b>	873	<b>1,099</b>	923
<b>Historic cost</b>				
At 31 July	<b>825</b>	829	<b>875</b>	879

### 16. Endowment assets

<b>Group and University</b>	<b>2013 £'000</b>	2012 £'000
At 1 August	<b>164</b>	164
Disbursed	-	-
At 31 July	<b>164</b>	164
<b>Represented by:</b>		
Cash at bank held for endowment funds	<b>164</b>	164

There were no additions to Endowment Assets during 2012/13.

The Endowments consist of the following:

- RICS Rural Fellowship £56k
- Walter Smith Award £54k
- FE Turner £54k

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 17. Stocks

Group and University	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Farms' valuation</b>				
Livestock	61	56	61	56
Produce	227	164	227	164
Stores	31	20	31	20
	<b>319</b>	240	<b>319</b>	240
<b>Other stocks</b>				
Food and drink	33	25	33	25
Stationery	31	33	-	-
Other	101	92	101	92
	<b>165</b>	150	<b>134</b>	117
<b>Total Stocks</b>	<b>484</b>	390	<b>453</b>	357

### 18. Debtors

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts falling due within one year:				
Trade debtors	456	484	365	367
Amounts owed by group undertakings	-	-	346	289
Accrued income and prepayments	982	890	925	837
	<b>1,438</b>	1,374	<b>1,636</b>	1,493

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 19. Creditors - amounts falling due within one year

	Group		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank overdrafts (note 20)	79	55	79	55
Secured loans (see note 20)	369	285	369	285
Payments received in advance	300	481	300	481
Trade creditors	757	771	749	768
Social security and other taxes	204	196	204	196
Other creditors	119	116	118	116
Accruals and deferred income	976	1,021	899	891
	<b>2,804</b>	2,925	<b>2,718</b>	2,792

### 20. Creditors - amounts falling due after more than one year

	Group		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Secured loans repayable by 2034 (see below)	5,402	4,808	5,402	4,808

### Analysis of the bank overdraft and loans (included in notes 19 & 20 above)

	Group		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>Maturity of debt</b>				
Repayable as follows:				
In one year or less	448	340	448	340
Between two and five years	1,477	1,324	1,477	1,324
In more than five years	3,925	3,484	3,925	3,484
	<b>5,850</b>	5,148	<b>5,850</b>	5,148

## Royal Agricultural University

### Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

#### 20. Creditors - amounts falling due after more than one year (continued)

The Group has four bank loans, the individual terms of which are as set out below:-

Description	Remaining term at year end	Interest Rate	Balance at year end £'000	Security provided
Consolidated Loan	4 Years	Base + 0.25%	538	1-3 Woodlands Hall
Vic Hughes Hall Loan	11 Years	3.64% fixed to Dec 2014	724	Vic Hughes Hall
Harnhill Manor Farm Loan	21 Years	6.29% fixed to Sept 2019	2,092	Harnhill Manor Farm
West Lodge Loan	14 Years	3 month LIBOR Cap with a strike rate of 2.50% fixed until Dec 2022	2,417	West Lodge

#### 21. Provisions for liabilities

Group and University	2013 £'000
At 1 August	44
Increase in Provisions	4
At 31 July	48
<b>Purpose of Provisions</b>	
Dilapidations on onerous property leases	48
At 31 July	48



# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 22. Deferred capital grants

Group and University	Funding Council £'000	Other Grants & Benefactions £'000	2013 Total £'000	2012 Total £'000
At 1 August				
- Buildings	1,365	205	1,570	1,708
- Equipment	19	136	155	185
	<b>1,384</b>	<b>341</b>	<b>1,725</b>	<b>1,893</b>
Cash Received				
- Buildings	-	-	-	-
- Equipment	32	-	32	-
	<b>32</b>	<b>-</b>	<b>32</b>	<b>-</b>
Released to income and expenditure				
- Buildings (notes 1 & 4)	107	21	128	138
- Equipment (notes 1 & 4)	43	17	60	30
	<b>150</b>	<b>38</b>	<b>188</b>	<b>168</b>
At 31 July				
- Buildings	1,258	184	1,442	1,570
- Equipment	8	119	127	155
<b>Total</b>	<b>1,266</b>	<b>303</b>	<b>1,569</b>	<b>1,725</b>

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 23. Endowments

Group and University	Capital £'000	Income £'000	2013 Total £'000	2012 Total £'000
Restricted Expendable Endowments				
At 31 July	152	12	164	164

### 24. Share capital

	2013 £'000	2012 £'000
<b>Authorised</b>		
120 Ordinary shares of £10 each	1	1
<b>Issued</b>		
120 Ordinary shares of £10 each	1	1

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions

The University operates the following pension schemes:

#### **(a) The Royal Agricultural College Pension (the CARE scheme)**

This is a defined benefits scheme, under which contributions were paid before its closure by the University and employees. The assets of the fund are independent from those of the University and are administered by Trustees. Pension costs are assessed on the advice of an independent actuary on the basis of valuations using the projected unit method.

The academic staff, senior management and those support staff appointed before April 2005 used to be members of the scheme which closed to future accrual on 30 September 2010. Academic (lecturing) staff joined the Teachers' Pension Scheme (TPS) for service as of 1 October 2010 and support staff members moved into a defined contribution (GPP) scheme with Aegon.

Notwithstanding the scheme closure to future accrual the University continues to service the recovery plan at the rate agreed with the Trustees and the Pensions Regulator. Following the April 2012 actuarial valuation the 16.5 year recovery plan amounts to £650k p.a.

#### **(b) Discretionary FSSU Supplementation Pension Scheme**

The pensions of a small number of former employees are funded by a separate defined benefit scheme, but the University supplements the pensions in payment through "top-ups" to the pensioners.

#### **(c) Teachers' Pension Scheme (TPS)**

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, the Teachers' Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

#### **(d) USS Pension Scheme**

One member of staff is a member of the Universities Superannuation Scheme (USS), a defined benefit scheme; (2012: 2). The University offers membership of this Scheme to the governor appointed University Senior Executive. Under the definitions set out in FRS17, the USS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the University has taken advantage of the exemption in FRS17 and has accounted for it as a defined contribution scheme.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### (e) Defined contribution schemes (GPP)

Two separate defined contribution schemes (GPP) are available to support staff members. The assets are held separately from the University by the scheme providers, Prudential and Aegon.

The Prudential Scheme is available to support staff appointed since April 2005 who were never members of the RAC CARE scheme. The University contributes 6.5% of salary into the Prudential GPP and members pay a variable contribution of not less than 2%.

The Aegon Scheme was set up September 2010 for those support staff who were former members of the CARE scheme. The University contribution to Aegon is 10% of salary plus a top up contribution for the first four years on a sliding scale; an extra 5% of salary from inception to 31 March 2011; 4% from 1 April 2011, 3% from 1 April 2012 and 2% from 1 April 2013 until 31 March 2014. Members pay a variable contribution of not less than 4%.

The pensions charge in the financial statements represents contributions made by the University to the scheme providers on behalf of its employees.

#### Charge in the income and expenditure account – all pensions

The charge for pensions adjusted for FRS17 where applicable that is included in employment costs is analysed as follows:

	2013 £'000	2012 £'000	2011 £'000
Defined benefit schemes			
CARE	-	-	369
FSSU supplemental scheme	60	66	64
TPS	295	266	238
USS	13	29	33
	<b>368</b>	361	704
Defined contribution schemes			
GPP: Aegon	107	116	111
GPP: Prudential	93	89	94
	<b>200</b>	205	205
Analysed as:			
Current service	568	566	557
Past service	-	-	352
	<b>568</b>	566	909

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

In addition the interest charge on the defined benefit pension scheme (see note 8) is detailed in the analysis of costs of the CARE Scheme below.

#### Reconciliation of Fair Value of Scheme Assets (CARE Only)

The FSSU has no assets that the University can include in this statement.

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
At the beginning of the year	<b>16,230</b>	16,000	14,353
Contributions by University	<b>483</b>	400	1,093
Contributions by employees	-	-	40
Benefits paid	<b>(590)</b>	(547)	(277)
Expected return on assets	<b>968</b>	963	899
Asset out/(under) performance	<b>(138)</b>	(586)	(108)
At the end of the year	<b>16,953</b>	16,230	16,000

#### Reconciliation of Present Value of Scheme Liabilities (CARE and FSSU)

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
At the beginning of the year	<b>(24,420)</b>	(21,482)	(18,910)
Current service cost (operating charge)	-	-	(369)
Interest cost	<b>(1,075)</b>	(1,128)	(1,012)
Employee contributions	-	-	(40)
Benefits paid	<b>590</b>	547	277
Actuarial gains/(losses)	<b>34</b>	(257)	84
Change in assumptions	<b>(190)</b>	(2,100)	(1,512)
At the end of the year	<b>(25,061)</b>	(24,420)	(21,482)

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### Reconciliation to Balance Sheet (CARE and FSSU)

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
Present value of Scheme liabilities	<b>(25,061)</b>	(24,420)	(21,482)
Fair value of Scheme assets	<b>16,953</b>	16,230	16,000
Scheme deficits	<b>(8,108)</b>	(8,190)	(5,482)

The deficit in the balance sheet in respect of defined benefit schemes can be analysed as follows:

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
CARE	<b>(7,755)</b>	(7,831)	(5,080)
FSSU supplemental scheme	<b>(353)</b>	(359)	(402)
	<b>(8,108)</b>	(8,190)	(5,482)

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

The principal assumptions made by the actuaries for the purpose of FRS 17 at the University's financial year end were:

<b>Group and University</b>	<b>2013</b>	2012	2011
Rate of increase in pensionable salaries	-	-	-
Rate of increase in pensions in payment – pre 06/04/97	<b>3.00%</b>	3.00%	3.00%
Rate of increase in pensions in payment – post 06/04/97 (LPI3-5)	<b>3.60%</b>	3.30%	3.70%
Rate of increase in pensions in payment – post 01/04/03 (LPI 5)	<b>3.30%</b>	2.70%	3.60%
Rate of increase in pensions in payment – post 01/04/05 (LPI 2.5)	<b>2.40%</b>	2.20%	2.40%
Inflation rate (RPI)	<b>3.30%</b>	2.70%	3.60%
Inflation rate (CPI)	<b>2.55%</b>	2.20%	3.10%
Discount rate	<b>4.60%</b>	4.40%	5.25%
Cash commutation	<b>25.00%</b>	25.00%	25.00%
Mortality – active & deferred members	SAPS S1 PMA CMI 2011	SAPS S1 PMA CMI 2011	PCA00MC
	0.50% floor	0.50% floor	0.50% floor
Mortality – pensioners	SAPS S1 PMA CMI 2011	SAPS S1 PMA CMI 2011	PCA00MC
	0.50% floor	0.50% floor	0.50% floor

The University allows for a 25% rate of cash commutation in these figures. This is based on the Scheme actual experience (20%) plus the greater flexibility offered to members by the Pensions Act 2004 (25% HMRC tax free limit).

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

The assets of the CARE scheme and the expected rate of return were:

Group & University	Long term rate of return expected <b>2013</b> %	Value at 31 July <b>2013</b> £'000	Long term rate of return expected 2012 %	Value at 31 July 2012 £'000	Long term rate of return expected 2011 %	Value at 31 July 2011 £'000
Bonds	4.60	1,785	4.40	1,672	5.25	1,573
Gilts	3.30	2,689	2.50	2,604	3.60	2,691
Property	7.00	1,497	7.00	1,475	7.00	1,334
Dynamic Growth Fund/LDI Portfolio	7.00	5,488	7.00	5,296	7.00	9,814
Global Absolute Return Strategies	7.00	5,361	7.00	5,067	-	-
Cash	0.50	133	0.50	116	0.50	588
<b>Total market value of assets</b>	<b>6.11</b>	<b>16,953</b>	<b>5.96</b>	<b>16,230</b>	<b>6.02</b>	<b>16,000</b>
<b>Present value of scheme liabilities</b>		<b>(24,708)</b>		<b>(24,061)</b>		<b>(21,080)</b>
<b>Net pension deficit</b>		<b>(7,755)</b>		<b>(7,831)</b>		<b>(5,080)</b>

The contributions to be paid by the employer to the RAC CARE Scheme to service the past service deficit increased with effect from 6 April 2013 from £400k per annum to £650k per annum.

#### Analysis of amount charged to staff costs in the income and expenditure account in respect of the CARE defined benefit scheme

	2013 £'000	2012 £'000	2011 £'000
Current service	-	-	81
Past service cost: TPS underpin	-	-	419
Past service credit: loss of final salary link	-	-	(131)
<b>Total operating charge</b>	<b>-</b>	<b>-</b>	<b>369</b>



# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### Analysis of the amount charged to other finance costs

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
Expected return on pension scheme assets	<b>968</b>	963	899
Interest on pension scheme liabilities	<b>(1,058)</b>	(1,107)	(991)
Net return	<b>(90)</b>	(144)	(92)

An additional £16k (2012: £21k) is charged as a finance cost by the FSSU Scheme making the total charge to the University £106k (2012: 165k).

#### Movement in deficit of the CARE Scheme during the year

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
Deficit in the scheme at the start of the year	<b>(7,831)</b>	(5,080)	(4,168)
Movement:			
Current service cost (operating charge)	-	-	(369)
Contributions	<b>483</b>	400	1,093
Other finance charge	<b>(90)</b>	(144)	(92)
Actuarial loss in STRGL resulting from the CARE Scheme	<b>(317)</b>	(3,007)	(1,544)
Deficit in the scheme at the end of the year	<b>(7,755)</b>	(7,831)	(5,080)

#### Analysis of amount recognised in the statement of total recognised gains and losses

	<b>2013</b> <b>£'000</b>	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	<b>(138)</b>	(586)	(108)
Experience gains and losses arising on the scheme liabilities	<b>7</b>	(337)	72
Changes in the assumptions underlying the present value of the scheme liabilities	<b>(186)</b>	(2,084)	(1,508)
Actuarial loss recognised in the statement of total recognised gains and losses resulting from the CARE Scheme	<b>(317)</b>	(3,007)	(1,544)

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### History of experience gains and losses

	2013	2012	2011	2010	2009
Difference between the actual and expected return on scheme assets:					
Amount (£'000)	<b>(138)</b>	(586)	(108)	1,517	(1,285)
Percentage of scheme assets	<b>(0.9%)</b>	(3.9%)	(0.7%)	10.6%	(11.2%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	<b>7</b>	(337)	72	67	685
Percentage of the present value of the scheme liabilities	<b>0.0%</b>	1.4%	(0.3%)	(0.4%)	(4.5%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	<b>(317)</b>	(3,007)	(1,544)	(664)	(699)
Percentage of the present value of the scheme liabilities	<b>1.3%</b>	12.5%	7.3%	3.6%	4.6%

Since closure to future accrual in September 2010 the only continuing contribution is the annual sum required by the recovery plan: £400k per annum to 31 March 2013 rising to £650k per annum from 1 April 2013.

The University pledged Bailey Lodge and Steadings Cottages on 21 March 2007 against the pensions deficit. This security deed is lodged with the Pensions Regulator.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### Discretionary FSSU Supplementation pension scheme

The scheme is unfunded and its deficit amount has been based on an actuarial valuation at 31 July 2013

The assumptions having the most significant effect on the calculation of the provision are that future interest rates will average 4.60% (2012: 4.40%) per annum and that the rate of increase in pensions in payment will be 3.30% (2012: 2.70%) per annum.

#### The assets of the FSSU Scheme and the expected rate of return were:

Group & University	Value at 31 July 2013 £'000	Value at 31 July 2012 £'000	Value at 31 July 2011 £'000
Present value of scheme liabilities	(353)	(359)	(402)
Net pension deficit	(353)	(359)	(402)

#### Analysis of the amount charged to other finance costs

	2013 £'000	2012 £'000	2011 £'000
Interest on pension scheme liabilities	(16)	(21)	(21)
Net return	(16)	(21)	(21)

#### Movement in FSSU deficit during the year

	2013 £'000	2012 £'000	2011 £'000
Deficit in the scheme at the start of the year	(359)	(402)	(389)
Movement:			
Current service cost	-	-	-
Contributions	-	-	-
Other finance expense	(16)	(21)	(21)
Actuarial gain in STRGL resulting from the FSSU	22	64	8
Deficit in the scheme at the end of the year	(353)	(359)	(402)

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

#### History of experience gains and losses

	2013	2012	2011	2010	2009
Experience gains and losses on scheme liabilities:					
Amount (£'000)	27	81	12	26	22
Percentage of the present value of the scheme liabilities	8.0%	23.0%	3.0%	7.0%	6.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	22	64	8	12	27
Percentage of the present value of the scheme liabilities	6.0%	18.0%	2.0%	3.0%	7.0%

The cumulative amount of actuarial gains and losses in respect of both the Care and FSSU schemes recognised in the Statement of Total Recognised Gains and Losses is £(5,555)k (2012: £(5,260)k).

#### Teachers' Pension Scheme (TPS)

The University had 49 members of the TPS as at 31 July 2013; (2012:49).

The employer's contribution rate for the University's academic staff was 14.1% of pensionable salaries from 1 August 2012 to 31 July 2013 and the total pension contributions made by the University in respect of its current employees were £295k (2012: £266k).

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008 and as part of the cost-sharing agreement between employers and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 25. Pensions (continued)

contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The 2008 valuation has not yet been completed.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006 and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

In April 2012 the member contributions were increased on a sliding scale with 6.4% being maintained for those earning less than £15k p.a. and rising to 8.8% for high earners. The majority of university lecturers pay either 7.6% or 8.0% depending on their salary.

#### USS (Universities Superannuation Scheme)

The Universities Superannuation Scheme (USS), a defined benefit scheme, is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. The triennial valuation was carried out using the projected unit method. As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014.

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

At 31 March 2013, USS had over 148,000 active members and the University had 1 active member participating in the scheme.

The total pension cost for the University was £13k (2012: £29k). This includes £Nil (2012: £Nil) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries.

Further details of the Scheme can be obtained from the USS web-site, [www.uss.co.uk](http://www.uss.co.uk), but are not included in these accounts on the grounds of materiality.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 26. Income and expenditure account reserve

Group and University	2013 £'000	2012 £'000
At 1 August	3,707	6,388
Surplus retained for the year	1,270	247
Actuarial loss for the year from CARE and FSSU Pension Schemes (note 25)	(295)	(2,942)
Transfer from Revaluation Reserve (note 27)	10	14
<b>Balance at 31 July</b>	<b>4,692</b>	<b>3,707</b>

Balance represented by:	2013 £'000	2012 £'000
Income & expenditure reserve excluding pension reserve	12,800	11,897
Pension reserve (see note 25)	(8,108)	(8,190)
<b>Balance at 31 July</b>	<b>4,692</b>	<b>3,707</b>

### 27. Revaluation reserve

Group and University	Investment 2013 £'000	Tangible fixed assets for investment purposes 2013 £'000	Tangible fixed assets for University use 2013 £'000	Total 2013 £'000	Total 2012 £'000
At 1 August	44	982	3,412	4,438	3,133
Net movement in unrealised gains on investments (see Note 15)	180	-	-	180	9
Asset revaluation in year (see notes 13 & 14)	-	205	(329)	(124)	1,310
Release in year to Revenue Reserve (see note 26)	-	-	(10)	(10)	(14)
<b>At 31 July</b>	<b>224</b>	<b>1,187</b>	<b>3,073</b>	<b>4,484</b>	<b>4,438</b>

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 28. Access funds

<b>Group and University</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Balance unspent at 1 August	7	6
Funding council grants	4	6
	<b>11</b>	12
Disbursed to students	<b>(7)</b>	(5)
Balance unspent at 31 July	<b>4</b>	7

Access funds are provided by the Higher Education Funding Council for England and are used to pay supplementary grants to students. The Royal Agricultural University acts as a paying agency only and therefore the receipts, payments and balances are excluded from the University's accounts.

### 29. Reconciliation of surplus before tax and profit on disposal of assets to net cash outflow from operating activities

<b>Group</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Surplus for the year	<b>1,270</b>	247
Investment income	<b>(33)</b>	(32)
Interest receivable	<b>(14)</b>	(23)
Interest payable	<b>298</b>	346
Depreciation on tangible assets	<b>855</b>	764
(Profit)/Loss on sale of tangible assets	<b>(1,376)</b>	34
Loss on investments	<b>4</b>	28
Capital grants released to income	<b>(188)</b>	(168)
Increase in stocks	<b>(94)</b>	(69)
Increase in debtors	<b>(64)</b>	(186)
Decrease in creditors	<b>(229)</b>	(577)
Increase/(Decrease) in provisions	<b>4</b>	(36)
Net operating cash flows before annual pension deficit payments	<b>433</b>	328
Annual pension payment under pension recovery plan	<b>(483)</b>	(400)
Net cash outflow from operating activities	<b>(50)</b>	(72)

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 30. Financing

<b>Group and University</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
New secured loan in year	<b>1,000</b>	1,500
Repayments on secured loans	<b>(322)</b>	(242)
Net increase in secured borrowing	<b>678</b>	1,258

### 31. Analysis of changes in net debt

<b>Group</b>	<b>2012 £'000</b>	<b>Cash flow £'000</b>	<b>Other Movement £'000</b>	<b>2013 £'000</b>
Cash at bank and in hand	<b>2,250</b>	<b>(44)</b>	-	<b>2,206</b>
Endowment bank accounts	<b>164</b>	-	-	<b>164</b>
Bank overdraft	<b>(55)</b>	<b>(24)</b>	-	<b>(79)</b>
Bank accounts and cash	<b>2,359</b>	<b>(68)</b>	-	<b>2,291</b>
Bank loans due within one year	<b>(285)</b>	<b>285</b>	<b>(369)</b>	<b>(369)</b>
Bank loans due after one year	<b>(4,808)</b>	<b>(963)</b>	<b>369</b>	<b>(5,402)</b>
	<b>(2,734)</b>	<b>(746)</b>	-	<b>(3,480)</b>



# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 32. Capital commitments

Provision has not been made for the following capital commitments at 31 July 2013:

<b>Group and University</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Commitments contracted	<b>982</b>	1,178
Authorised but not contracted	<b>1,050</b>	1,627
	<b>2,032</b>	2,805

The £982k contracted relates to:

The Harnhill development, due for completion Autumn 2013 (£925k)

The retention regarding the West Lodge build (£57k)

### 33. Other financial commitments

At 31 July 2013 the Royal Agricultural University had annual commitments under non-cancellable operating leases as follows:

<b>Group and University</b>	<b>2013</b>		<b>2012</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Expiring within one year	<b>5</b>	<b>12</b>	-	6
Expiring between two and five years inclusive	-	<b>3</b>	-	12
Expiring in over five years	<b>64</b>	-	64	-
	<b>69</b>	<b>15</b>	64	18

See notes 13 and 25 for details of a charge on two of the property assets of the Royal Agricultural University to the defined benefit pension scheme.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 34. Contingent liabilities

Except as otherwise disclosed elsewhere in these Financial Statements, the only contingent liabilities known about at the time of signing the Financial Statements are detailed below:

- As part of the purchase of Harnhill Manor Farm in September 2009, the University signed a side letter to the vendor undertaking that, should the University sell the property within 5 years of purchase, it would pay the Trustees 50% of the difference in value between the purchase and sales prices and 25% of such difference for any sales in years 6 to 8 inclusive. Based on the Moore Allen & Innocent LLP valuation of the property dated 31 July 2013, these contingent liabilities are valued at £1,560k and £780k respectively;
- As at 31 July 2013 the University only has one active member of the USS superannuation scheme and, under the s75 Employer Debt Regulations, the University would be liable should those members cease to be active and not be replaced by others. As at 30 September 2013 USS estimated the amount of any liabilities to be between £332k and £554k based on the most recent Scheme solvency ratings of 70% and 50% respectively (2012: between £289k and £483k). See note 25.
- The University's teaching staff became eligible for membership of the Teachers Pension Scheme on 1 August 2001 but they did not join until 1 October 2010. The University believes it has taken reasonable steps to mitigate the risk of any potential liabilities arising by paying the RAC Pension Scheme Trustees £423k during 2010/11 to guarantee an underpin to the RAC Scheme for each of these active members as at the date of Scheme closure. This underpin comes into force at the date each individual retires and offers a choice as to the scale of benefits (TPS or RAC) on which pensionable service between August 2001 and September 2010 is paid out. It is not possible to quantify any residual potential liabilities that might subsist at the present time.
- Pursuant to the University's planning consent for the Corinium Campus it entered into a s106 planning agreement whereby, should the site be developed, it would incur financial commitments up to £540k; these are backed by a bond with Lloyds Bank.

### 35. Student Union

Historically, the Student Union has been a part of the University as a whole with its Income and Expenditure being included in Other Income, Staff Costs and Other Operating Expenditure of the University. With effect from 1 August 2013 the Student Union activities are now being carried out through an independent Company Limited by Guarantee and are no longer part of the University's activities. The Student Union income included in Other Income for 2013 was £267k (2012: £385k) and the expenditure included in Staff Costs and Other Operating Expenditure was £7k (2012: £12k) and £347k (2012: £325k) respectively.

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 36. Related party transactions

#### (a) Exemption

The University has taken advantage of the exemption permitted by FRS 8, available to group undertakings where 100% of the voting rights are controlled within the group and where consolidated financial statements are publicly available, not to disclose transactions with other group companies within these Financial Statements.

#### (b) Pension scheme and Life Cover Trust

The Royal Agricultural College Pension Scheme and Life Cover Trust are related parties by definition. The amount owed by the Royal Agricultural University to the pension scheme at the year end was £Nil (2012: £Nil). The amount owed by the Royal Agricultural University to the Life Cover Trust at the year end was £Nil (2012: £Nil).

#### (c) Transactions with organisations related to governors

The Governors' Register of Interests is published on the University website and can be inspected at [www.rau.ac.uk](http://www.rau.ac.uk). Those interests disclosed below are limited to those where there has been a trading relationship between the University and the organisation in question in either the current or previous financial year.

The Earl Bathurst is a beneficiary of the Earl Bathurst Estate Settlement 1963 that owns Fosse Hill Farm, Field Farm Barn and Sheep-Dip field which are rented by the University at £48,439 for 2013 (2012: £36,348). Normal gross business purchases from Bathurst Estate Settlement 1963 amounted to £56,875 in 2013 (2012: £50,052). In addition, The Earl Bathurst is a Director of Michaelmas Farming Limited which owns Manor Farm, Coates which is leased by the University at £27,875 for 2013 (2012: £23,842). There were no other normal gross business purchases in either year. The Earl Bathurst is also Director of Kemble Farms. Normal gross business sales to Kemble Farms Limited amounted to £11,635 in 2013. (2012: £14,775). Normal gross business purchases from Kemble Farms Limited amounted to £175,076 in 2013. (2012: £108,924).

Prof Patricia Broadfoot is employed by Bristol University on a 20% professorial contract. Normal gross business sales to Bristol University amounted to £Nil in 2013 (2012: £29,097). In addition, Prof Broadfoot is a consultant for the Higher Education Academy. Normal gross business purchases from the Higher Education Academy amounted to £2,744 in 2013 (2102: £1,083).

Mr Anthony Colburn was a Director of Kemble Farms Limited but resigned in July 2013. Normal gross business sales to Kemble Farms Limited amounted to £11,635 in 2013 (2012: £14,775). Normal gross

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 36. Related party transactions (continued)

business purchases from Kemble Farms Limited amounted to £175,076 in 2013 (2012: £108,294,). In addition, Mr Colburn is a Director of Velcourt Group PLC. Normal gross business sales to Velcourt Group PLC amounted to £Nil in 2013 (2012: £4,200).

Miss Caroline Drummond is Chief Executive of LEAF, and a Director of Leaf Marque Limited. Normal gross business sales to LEAF amounted to £1,800 in 2013 (2012: £225). Normal gross business purchases from LEAF amounted to £678 in 2013 (2012: £1,347).

Prof Richard Ellis is Dean of the Faculty of Life Sciences at the University of Reading. Normal gross business purchases from the University of Reading amounted to £5,400 in 2013 (2012: £5,340).

Mr Jeremy Lewis is a Non-Executive Director and was appointed Chairman in September 2012 of the National Institute of Agricultural Botany. Normal gross business sales to the National Institute of Agricultural Botany amounted to £60 in 2013 (2012: £3,772).

Mr Richard Macdonald is a Non-Executive Director and appointed Vice Chairman in September 2012 of the National Institute of Agricultural Botany. Normal gross business sales to the National Institute of Agricultural Botany amounted to £60 in 2013 (2012: £3,772). Normal gross business purchases from the National Institute of Agricultural Botany amount to £420 in 2013 (2012: £400).

Mr Jeremy Moody is Secretary & Advisor to the Central Association of Agricultural Valuers (CAAV). Normal gross business sales to CAAV amounted to £6,230 in 2012 (2012: £5,248). Normal gross business purchases from CAAV amounted to £Nil in 2013 (2012: £195)

Mr Philip Moody is a Non-Executive Director of Openfield Group Limited. Normal gross business sales to Openfield amounted to £Nil in 2013 (2012: £813). Normal gross business purchases from Openfield amounted to £9,698 in 2013 (2012: £3,502).

Mrs Karen Morgan is a member of the Advisory Board, of the Cabot Institute at the University of Bristol. Normal gross business sales to the University of Bristol amounted to £Nil in 2013 (2012: £29,097). Mrs Morgan is also a Governor at the University of Gloucestershire. Normal gross business sales to the University of Gloucestershire amounted to £30,202 in 2013 (2012: £26,520). Normal gross business purchases from the University of Gloucestershire amounted to £6,480 in 2013 (2012: £11,060).

Prof Michael Osbaldeston was a Member of the Advisory Board at the University of Liverpool Management School, but is no longer involved. Normal gross business purchases from the University of Liverpool Management School amounted to £Nil in 2013 (2012: £3,000).

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 36. Related party transactions (continued)

Mr Julian Sayers is a Court Assistant to The Worshipful Company of Farmers. Normal gross business sales to The Worshipful Company of Farmers amounted to £86,087 in 2013 (2012: £75,600).

Mr David Slack is a member and past Chairman of the Royal Institution of Chartered Surveyors Rural Board. Normal gross business sales to Royal Institution of Chartered Surveyors amounted to £38,987 in 2013 (2012: £32,227). Normal gross business purchases from Royal Institution of Chartered Surveyors amounted to £4,361 in 2013 (2012: £4,401).

Governors have a breadth of business interests, the vast majority of which do not involve the University. The full register of Governors' interests has been inspected by the external auditors.

#### **(d) Transactions with organisations related to University Senior Management.**

Mr Graham Barton is a member of the band "Gotcha" that received £Nil in 2013 for performances at University balls (2012: £Nil). A member of that band trades as Lefnevar Limited which provides fire safety work to the University. Normal business purchases from Lefnevar amounted to £6,760 in 2013 (2012: £57,800).

Prof W Paul Davies is Vice Chairman and trustee of the African Fellowship Trust (AFT), registered charity number 1120786, which provides bursaries to fund Fellows from Africa to come to the University to undertake a programme of work experience, professional networking including study on the Masters Degree course in International Rural Development. In 2012/13 11 AFT Fellows came to the University (2011/12: 3) and the Trust paid the University £130k in 2012/13 and £25k in 2011/12. 9 Fellows are expected in 2013/14. Normal gross business sales for the African Fellowship Trust amounted to £13,643 in 2012/13 and £8,461 in 2011/12. This was primarily to fund a related Africa Programme Administrator post within the University. Prof Davies is not a beneficiary of the Trust and receives no remuneration for his work from the Trust.

Prof Chris J Gaskell is a past pro vice chancellor at the University of Liverpool and his wife, Prof R M Gaskell, continues as a Research Professor in the University's school of veterinary science. Normal gross business purchases from the University of Liverpool amounted to £Nil in 2013 (2012: £3,000). In addition Prof Gaskell is a self-employed SAC member of the Welsh Government. Normal gross business sales to the Welsh Government amounted to £Nil in 2013 (2012: £5,000).

Mrs Teresa North is related to Mr R North (electrician) who owns the electrical company Thomas North. Normal gross business purchases from Thomas North amounted to £14,142 in 2013 (2012: £32,408). Mrs North is also related to Mrs Beth Chapman. Normal gross business purchases from Mrs Beth Chapman amounted to £3,368 in 2013 (2012: £Nil). Mrs North is also a consultant for L'astrolabio, an educational and language course organisation based in Milan, Italy. Normal gross business sales invoiced amounted to £393,267 in 2013 (2012: £621,914).

# Royal Agricultural University

## Notes to the consolidated financial statements for the year ended 31 July 2013 (continued)

### 36. Related party transactions (continued)

#### (e) Farming operations

Following a tendering exercise in 2009, managed by Moore Allen & Innocent LLP under the auspices of the Public Contract Regulations 2006, the non-organic arable work at Coates was awarded to Kemble Farms Limited and the organic work at Harnhill was awarded to T E Lander. Both contracts were for 3 years and ran from 29 September 2009. The University extended both these contracts for a further year until 29 September 2013 and the Kemble Farms Limited contract has been extended for a further year to 29 September 2014. The position at that time of Mr A Colburn, Governor and trustee of the University who chairs the Farms Board, as a non-executive director of Kemble Farms Limited was noted. Mr Colburn took no part in the tender process whatsoever.

#### (f) The Royal Agricultural College Beagles

In 2001 the RAC Beagles, which had been run as part of the University, were set up as an independent trust. Whilst no governor or member of the University Senior Management is an officer or committee member of the RAC Beagles, the Beagles are "linked" to the University by virtue of their name, their provision of sporting and learning opportunities for the students and they regularly appear at agricultural shows and game fairs to promote the University both nationally and in the local community.

In recognition of this the University made a donation to them of £5,000; (2012: £5,000). Normal business sales to the RAC Beagles amounted to £4,841 (2012: £3,553). There were no business purchases from the RAC Beagles in either of the two years.

#### (g) Related Charities

The University is linked to the following charities:

The African Fellowship Trust, registered charity number 1120786, was set up in 2007 to permit African students to advance their education in sustainable development and protection of the environment by studying for a masters programme at the University. The Fellows are fully funded by the charity. The charity accounts for the year ended 30 September 2012 show income of £69,300 (2011: £380,005) and expenditure of £120,973 (2011: £235,775) with a positive fund of £90,322 (2011: positive fund of £141,995). More recent accounts are not available.

The Sir Emrys Jones Memorial Trust, registered charity 1105861, was set up in 2004 in memory of Sir Emrys Jones, Principal of the University from 1974 to 1979, to provide financial assistance by way of fees or maintenance grants to students from Wales (whether by origin or residence) who are in need of financial assistance to attend University. Without it being binding, the Trustees understand the benefactor's wish that priority should be given to students reading agriculture or related subjects. The charity accounts for the year ended 31 March 2012 show income of £28,364 (2011: £440,065) and expenditure of £23,460 (2011: £14,088) with a positive fund of £728,913 (2011: fund balance of £728,825). More recent accounts are not available.



Published by the Royal Agricultural University,  
Cirencester, Gloucestershire GL7 6JS, United Kingdom

Tel: +44(0)1285 652531

Fax: +44(0)1285 650219

[www.rau.ac.uk](http://www.rau.ac.uk)