



The Royal Veterinary College
Financial Statements 2006

CONSOLIDATED FINANCIAL SUMMARIES

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
INCOME AND EXPENDITURE ACCOUNT					
INCOME					
Funding Council grants	20,985	18,874	15,794	13,489	12,166
Academic fees and support grants	4,049	3,572	3,448	3,097	3,168
Research grants and contracts	6,195	4,781	4,337	4,288	4,272
Other operating income	12,413	10,469	9,855	9,191	7,655
Endowment and investment income	743	893	762	610	686
TOTAL INCOME	44,385	38,589	34,196	30,675	27,947
EXPENDITURE					
Staff Costs	24,630	21,250	19,337	16,652	14,852
Depreciation	3,078	2,811	2,648	1,932	1,687
Other operating expenses	14,914	13,258	11,882	10,318	10,395
Interest payable	511	486	721	523	383
TOTAL EXPENDITURE	43,133	37,805	34,588	29,425	27,317
SURPLUS / (DEFICIT) ON CONTINUING OPERATIONS	1,252	784	(392)	1,250	630
Profit / (Loss) on sale of fixed assets and investments	-	-	646	(242)	(42)
Surplus before transfer to specific endowments	1,252	784	254	1,008	588
Transfer from / (to) specific endowments	5	122	124	9	7
SURPLUS RETAINED WITHIN GENERAL RESERVES	1,257	906	378	1,017	595

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
BALANCE SHEET					
Fixed assets and investments	41,571	41,530	39,017	36,703	31,030
Endowment asset investments	11,646	10,174	8,495	6,939	6,111
Cash at bank and in hand and short term deposits	4,779	1,728	1,010	947	2,307
Net non cash current liabilities	(4,167)	(2,978)	(4,249)	(3,685)	(2,533)
Long term loans, creditors and provisions	(7,715)	(7,983)	(7,392)	(7,961)	(6,982)
TOTAL NET ASSETS	46,114	42,471	36,881	32,943	29,933
Deferred capital grants	19,921	19,007	16,002	13,998	13,115
Endowment funds	11,646	10,174	8,495	6,939	6,111
Retained earnings	14,547	13,290	12,384	12,006	10,707
TOTAL FUNDS	46,114	42,471	36,881	32,943	29,933

TREASURER'S REPORT

for the year ended 31 July 2006

1 SCOPE OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the SORP: Accounting for Further and Higher Education, and the relevant accounting standards. The consolidated financial statements cover the activities of the College, the Animal Care Trust (ACT) and the London BioScience Innovation Centre Limited (LBIC).

2 CONSOLIDATED RESULTS FOR THE YEAR

	2006	2005
	£000	£000
Income	44,385	38,589
Expenditure	(43,224)	(37,805)
Surplus on Continuing Operations	1,161	784
Transfer to specific endowments	96	122
Surplus within General Reserves	1,257	906

The College had set an objective to achieve a surplus of 1.5% of income in 2005-06 to fund future strategic developments aimed at improving the overall performance of the College. In 2005-06 the College exceeded this objective: the surplus for the year as a percentage of income was 2.8%.

3 INCOME

Total income for the year rose by 15% (2005: 13%). Funding Council grants showed an overall increase of 11% (2005: 20%).

Tuition fee income saw an increase of 13% (2005: 4%), with full time home students in particular increasing by 17% (2005: 17%). Full time overseas fees showed an increase in year of 11% (2005: 8% decrease). Efforts to attract more overseas postgraduate students were successful.

Income resulting from clinical and related earnings continued to perform well, increasing 19% (2005: 6%). This growth was once again due to increased activity in the Queen Mother Hospital for Animals, with income up by 18% (2005: 16%). Other clinical services also performed well during the year.

Income from research grants and contracts rose by 30% (2005: 10%), following a number of recent successful awards.

4 EXPENDITURE

Overall expenditure increased by 14% (2005: 9%), staff costs rose by 16% (2005: 10%) as a result of the implementation of the Single Spine from 01 Aug 2005, costs associated with the harmonisation of employment contracts, the uplift in London Weighting, as well as increases in activity across the College.

Other operating expenses increased by 12% (2005: 12%). The most significant increases were in the areas of student and educational expenditure (25%; 2005: 24%), small equipment and repairs (23%; 2005: 6%) and minor works and maintenance (21%; 2005: 11%). Other outside consultancy fell by 16% during the year (2005: up by 26%).

Depreciation rose from £2,811,000 in 2005 to £3,078,000 in 2006, an increase of 9% (2005: 6%).

This reflects the capitalisation of a number of large building projects, including LBIC Phase 3 and the redevelopment of the 3rd and 4th floors of the Hobday building. In addition there has been just under £1m invested in research and clinical equipment during the year.

5 INVESTMENTS

The closing market value of the College's share portfolio was £10,091,000 (2005: £8,538,000).

6 CAPITAL PROJECTS

Significant progress was made on the *LIVE!* Centre for Excellence in Teaching & Learning, situated at the Hawkshead campus during the year. It is expected to be completed on time and on budget at the end of 2006.

Work also started on a centre for the Control of Veterinary Infectious and Zoonotic Diseases towards the latter part of the financial year, also on the Hawkshead site. This building is funded by HEFCE SRIF3 investment, and will provide the College with a Centre for Excellence in Research.

The College also invested in a new Animal Welfare Barn during the year, and initial works commenced on Phase 3 of the Queen Mother Hospital for Animals.

7 CASH FLOW

Net cash inflow was £524,000 (2005: £687,000). There was a substantial increase in short term deposits during the year (£2,446,000). Closing net debt stood at £1,612,000 (2005: £4,930,000).

8 FUTURE DEVELOPMENTS

The College continues to supporting an expanded estate and a growth in activities and will continue to expand its infrastructure to provide excellent facilities for teaching, research, clinical services and other commercial activities.

9 CONCLUSION

The year to 31 July 2006 has been financially satisfactory. However, there is a necessity to control costs as the College continues to expand. The College remains financially sound and well placed to meet future challenges.

J H Chatfeild-Roberts
Honorary Treasurer
6 December 2006

INCOME AND EXPENDITURE ACCOUNTS

for the year ended 31 July 2006

	Note	Consolidated		College	
		2006 £000	2005 £000	2006 £000	2005 £000
INCOME					
Funding Council Grants	1	20,985	18,874	20,945	18,874
Academic Fees and Support Grants	2	4,049	3,572	4,049	3,572
Research Grants and Contracts	3	6,195	4,781	6,195	4,781
Other Operating Income	4	12,413	10,469	11,757	9,788
Endowment Income and Investment Income	5	743	893	797	577
TOTAL INCOME		44,385	38,589	43,743	37,592
EXPENDITURE					
Staff Costs	6	24,630	21,250	24,296	20,957
Depreciation	8	3,078	2,811	2,866	2,600
Other Operating Expenses	7	14,914	13,258	16,387	12,779
Interest Payable	9	511	486	332	339
TOTAL EXPENDITURE		43,133	37,805	43,881	36,675
SURPLUS / (DEFICIT) on Continuing Operations		1,252	784	(138)	917
Surplus before transfer from/ (to) specific endowments		1,252	784	(138)	917
Transfer from / (to) specific endowments		5	122	(101)	(48)
SURPLUS / (DEFICIT) RETAINED WITHIN GENERAL RESERVES	19	1,257	906	(239)	869

The consolidated income and expenditure relates wholly to continuing operations.

There is no difference between the surplus in each year and their historical cost equivalents.

		Consolidated		College	
		2006 £000	2005 £000	2006 £000	2005 £000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES					
Surplus after depreciation and disposal of assets		1,252	784	(138)	917
Unrealised gain on endowment asset investments	18	965	1,343	965	1,343
New endowments	18	512	458	74	129
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD		2,729	2,585	901	2,389
Opening reserves and endowments		23,464	20,879	22,639	20,250
Total recognised gains relating to the year		2,729	2,585	901	2,389
CLOSING RESERVES AND ENDOWMENTS		26,193	23,464	23,540	22,639

BALANCE SHEETS

as at 31 July 2006

	Note	Consolidated		College	
		2006 £000	2005 £000	2006 £000	2005 £ 000
FIXED ASSETS					
Investments	10	-	-	100	100
Tangible assets	12	41,571	41,530	38,294	38,041
		41,571	41,530	38,394	38,141
Endowment asset investments	11	11,646	10,174	10,005	8,865
CURRENT ASSETS					
Stocks	13	470	483	463	474
Debtors -amounts falling due within one year	14	4,130	2,781	4,630	2,967
Debtors -amounts falling due after more than one year	14	-	-	1,234	3,437
Short term deposits	15	2,446	-	4,087	613
Cash at bank and in hand	15	2,333	1,728	2,235	2,399
		9,379	4,992	12,649	9,890
Creditors - amounts falling due within one year	16	(8,767)	(6,242)	(10,918)	(8,383)
Net current assets / (liabilities)		612	(1,250)	1,731	1,507
Total assets less current liabilities		53,829	50,454	50,130	48,513
Creditors - amounts falling due after more than one year	17	(7,715)	(7,983)	(7,715)	(7,983)
NET ASSETS		46,114	42,471	42,415	40,530
Deferred Capital Grants	20	19,921	19,007	18,875	17,891
Specific Endowments	18	9,380	7,999	7,739	6,690
General Endowments	18	2,266	2,175	2,266	2,175
		11,646	10,174	10,005	8,865
General Reserve	19	14,547	13,290	13,535	13,774
TOTAL FUNDS		46,114	42,471	42,415	40,530

The financial statements were approved by the Council on 6 December 2006 and signed on its behalf by

Professor Q A McKellar
Principal

J H Chatfeild - Roberts
Chairman of Finance Committee

CASH FLOW STATEMENTS

for the year ended 31 July 2006

	Note	Consolidated		College	
		2006	2005	2006	2005
		£000	£000	£000	£000
Net cash inflow from operating activities	21	4,395	1,896	4,633	2,334
Returns on investments and servicing of finance	22	(23)	(117)	104	(10)
Capital expenditure and financial investment	23	(1,053)	(1,693)	(1,491)	(2,022)
Cash outflow before liquid resources and financing		3,319	86	3,246	302
Management of liquid resources - short-term deposits		(2,446)	374	(3,474)	(239)
Financing	24	(349)	227	(349)	227
INCREASE / (DECREASE) IN CASH		524	687	(577)	290

NOTES TO THE CASHFLOW STATEMENT:

RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET DEBT

Increase in cash in the period		524	687	(577)	290
Cash inflow / (outflow) from increase / (decrease) in liquid resources		2,446	(374)	3,474	239
Repayment of loan and finance lease		349	673	349	673
New loans		-	(900)	-	(900)
		3,319	86	3,246	302
Opening net debt		(4,931)	(5,017)	(4,955)	(5,257)
CLOSING NET DEBT		(1,612)	(4,931)	(1,709)	(4,955)

	Opening Balance £000	Cash Flows £000	Other Changes £000	Closing Balance £000
CHANGES IN NET DEBT - Consolidated				
Endowment cash	1,636	(81)	-	1,555
Other cash	1,728	605	-	2,333
	3,364	524	-	3,888
Short term deposits	-	2,446	-	2,446
	3,364	2,970	-	6,334
Loan and finance lease repayable within one year	(312)	349	(268)	(231)
Loan and finance lease repayable after one year	(7,983)	-	268	(7,715)
NET DEBT	(4,931)	3,319	-	(1,612)

CHANGES IN NET DEBT - College

Endowment cash	327	(413)	-	(86)
Other cash	2,399	(164)	-	2,235
	2,726	(577)	-	2,149
Short term deposits	613	3,474	-	4,087
	3,339	2,897	-	6,236
Loan and finance lease repayable within one year	(311)	349	(268)	(230)
Loan and finance lease repayable after one year	(7,983)	-	268	(7,715)
NET DEBT	(4,955)	3,246	-	(1,709)

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Note	Consolidated		College	
		2006 £000	2005 £000	2006 £000	2005 £000
1 FUNDING COUNCIL GRANTS - HEFCE					
Recurrent grants		19,166	16,447	19,126	16,447
Non-recurrent grants		1,241	1,966	1,241	1,966
Deferred capital grants released in year	20	578	461	578	461
		20,985	18,874	20,945	18,874
2 ACADEMIC FEES AND SUPPORT GRANTS					
Student fees - full-time- UK		1,797	1,532	1,797	1,532
Student fees - full-time - overseas		1,924	1,734	1,924	1,734
Student fees - part-time		128	106	128	106
Research training support grants		119	112	119	112
Short course fees		81	88	81	88
		4,049	3,572	4,049	3,572
3 RESEARCH GRANTS AND CONTRACTS					
Income from research grants		3,597	2,586	3,597	2,586
Income from research contracts		2,598	2,195	2,598	2,195
		6,195	4,781	6,195	4,781
Research Councils		1,140	712	1,140	712
UK based charities		2,029	1,510	2,029	1,510
UK government bodies		1,252	801	1,252	801
UK industry and commerce		1,122	933	1,122	933
EU government bodies		467	570	467	570
EU business		84	82	84	82
Outside EU		101	173	101	173
		6,195	4,781	6,195	4,781
4 OTHER OPERATING INCOME					
Residences, catering and conference		1,122	991	1,122	991
Clinical and related earnings		10,661	8,986	10,114	8,411
Release from deferred capital grant	20	591	455	521	386
Rent and other income		39	37	-	-
		12,413	10,469	11,757	9,788
5 ENDOWMENT AND INVESTMENT INCOME					
Income from endowments	18	390	267	338	227
Income from short-term investments		157	95	157	95
Donations, gifts and legacies received		196	531	302	255
		743	893	797	577

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

		Consolidated		College		
		2006	2005	2006	2005	
6	STAFF COSTS	Note	£000	£000	£000	£000
	Wages and salaries		20,923	18,042	20,625	17,770
	Social security costs		1,647	1,455	1,624	1,438
	Pension costs	30	2,060	1,753	2,047	1,749
		8	24,630	21,250	24,296	20,957
<hr/>						
	Emoluments of the Principal					
	Salary		160	145	160	145
	USS Pension Contributions		15	14	15	14
	Benefit in kind		26	13	26	13
			201	172	201	172
<hr/>						
	AVERAGE STAFF NUMBERS		Number	Number	Number	Number
	Teaching and Research Departments		290	246	290	246
	Academic Support Services		65	66	65	66
	Administration and Central Services		66	69	57	65
	Premises		72	51	72	51
	Clinical and related services		200	189	200	189
			693	621	684	617

Both staff costs and numbers include temporary staff and staff employed by agents.

The number of staff, including the Principal, who received emoluments in the following ranges was:

£70,001 to £80,000	4	6	4	6
£80,001 to £90,000	5	4	5	4
£90,001 to £100,000	4	2	4	2
£100,001 to £110,000	1	2	1	2
£110,001 to £120,000	2	1	2	1
£140,001 to £150,000	-	1	-	1
£150,001 to £160,000	1	1	1	1

	Consolidated		College			
	2006	2005	2006	2005		
7	OTHER OPERATING EXPENSES		£000	£000	£000	£000
	Catering provisions		279	294	279	294
	Consumables and laboratory expenses		4,103	3,492	4,037	3,485
	Stationery and publications		1,092	1,033	1,055	985
	Student and educational expenditure		1,461	1,170	1,461	1,170
	Rates, cleaning and insurance		718	667	658	618
	Electricity, gas, oil and water		944	840	864	796
	Small equipment and repairs		1,551	1,260	1,542	1,242
	Minor works and maintenance		1,420	1,175	1,333	1,089
	External auditors' remuneration		36	29	32	27
	Internal audit		26	28	26	28
	Legal and other outside consultancy		1,092	1,300	1,080	1,293
	Travelling and subsistence		1,333	1,165	1,313	1,127
	Telephone, fax and postage		520	433	456	396
	Miscellaneous expenses		339	372	205	229
	Exceptional Item		-	-	2,046	-
			14,914	13,258	16,387	12,779

The exceptional item of £2,046,000 (2005: nil) relates to a bad debt provision between RVC and its wholly owned subsidiary, The London Bioscience Innovation Centre Ltd.

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Staff £000	Depn £000	Other Exp £000	Interest £000	Consolidated	
					Total £000	2005 Total £000
8 EXPENDITURE BY ACTIVITIES						
Academic departments	9,033	313	2,651	-	11,997	10,297
Academic services	2,399	258	1,558	-	4,215	4,037
Research grants and contracts	2,415	-	2,774	-	5,189	4,035
Residences and catering	424	10	241	332	1,007	1,081
Premises and maintenance	1,489	1,956	2,689	-	6,134	4,821
Administration	1,711	67	765	-	2,543	3,315
Clinical and other services - College	6,825	262	3,663	-	10,750	9,089
Clinical and other services - Subsidiaries	334	212	573	179	1,298	1,130
	24,630	3,078	14,914	511	43,133	37,805

Depreciation charge is funded by:

Deferred capital grant	1,169	916
General income	1,909	1,895

	Consolidated		College	
	2006 £000	2005 £000	2006 £000	2005 £000
9 INTEREST PAYABLE				
Bank loans not wholly repayable within 5 years	511	486	332	339

10 FIXED ASSET INVESTMENTS				
100% Shares in London Bioscience Innovation Centre Ltd	-	-	100	100
Market value at 31 July	-	-	100	100

11 ENDOWMENT ASSET INVESTMENTS				
Historical Cost at 1 August	9,380	9,043	8,071	7,893
Market Value Adjustment at 1 August	794	(548)	794	(548)
Market Value at 1 August	10,174	8,495	8,865	7,345
Additions	1,014	2,550	1,014	2,550
Disposals	(426)	(1,809)	(426)	(1,809)
Market Value Adjustment	965	1,343	965	1,343
Cash Movement	(81)	(405)	(413)	(564)
Market Value at 31 July	11,646	10,174	10,005	8,865
Represented by				
Fixed Interest Stocks	918	956	918	956
Equities	9,173	7,582	9,173	7,582
Cash at Bank	1,555	1,636	(86)	327
Market Value at 31 July	11,646	10,174	10,005	8,865

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

12 TANGIBLE FIXED ASSETS -CONSOLIDATED	Freehold Properties	Furniture and Equipment	Total
COST	£000	£000	£000
At 1 August 2005	51,708	2,578	54,286
Additions	2,282	837	3,119
Elimination of fully depreciated assets	-	(1,082)	(1,082)
At 31 July 2006	53,990	2,333	56,323
DEPRECIATION			
At 1 August 2005	(11,607)	(1,149)	(12,756)
Charge for the year	(2,120)	(958)	(3,078)
Elimination of fully depreciated assets	-	1,082	1,082
At 31 July 2006	(13,727)	(1,025)	(14,752)
Net Book Value at 31 July 2006	40,263	1,308	41,571
Net Book Value at 31 July 2005	40,101	1,429	41,530

Freehold properties and equipment include £2,657,000 (2005 - £6,855,000) building and patient record system work in progress which is not depreciated.

TANGIBLE FIXED ASSETS -COLLEGE	Freehold Properties	Furniture and Equipment	Total
COST	£000	£000	£000
At 1 August 2005	47,477	2,578	50,055
Additions	2,282	837	3,119
Elimination of fully depreciated assets	-	(1,082)	(1,082)
At 31 July 2006	49,759	2,333	52,092
DEPRECIATION			
At 1 August 2005	(10,865)	(1,149)	(12,014)
Charge for the year	(1,908)	(958)	(2,866)
Elimination of fully depreciated assets	-	1,082	1,082
At 31 July 2006	(12,773)	(1,025)	(13,798)
Net Book Value at 31 July 2006	36,986	1,308	38,294
Net Book Value at 31 July 2005	36,612	1,429	38,041

Freehold properties and equipment include £2,657,000 (2005 - £6,855,000) building work in progress which is not depreciated.

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Consolidated		College	
	2006	2005	2006	2005
	£000	£000	£000	£000
13 STOCKS				
Consumables	333	346	326	337
Farm Stocks	137	137	137	137
	470	483	463	474
14 DEBTORS				
AMOUNT FALLING DUE WITHIN ONE YEAR				
Trade debtors	1,862	1,096	1,806	1,066
Research grant debtors	1,849	1,162	1,849	1,162
London Bioscience Innovation Centre Ltd	-	-	559	261
Taxes receivable	5	31	2	1
Other debtors	347	356	347	356
Prepaid expenses and accrued income	67	136	67	121
AMOUNT FALLING DUE AFTER ONE YEAR				
London Bioscience Innovation Centre Ltd	-	-	1,234	3,437
	4,130	2,781	5,864	6,404
<p>The total debt with The London Bioscience Innovation Centre Ltd comprises of a current account deficit and loan of £3,839,000 (2005 £3,698,000), less the provision made of £2,046,000 (2005: nil). The loan is not expected to be repaid until 2024.</p>				
15 SHORT TERM DEPOSITS AND CASH				
<p>On consolidation, £1,641,000 (2005 £1,309,000) was moved from short term deposits and cash to endowment asset investments to cover the funds held by the College on behalf of the Animal Care Trust.</p>				
16 CREDITORS - DUE WITHIN ONE YEAR				
Unsecured loans	230	311	230	311
Trade creditors	1,546	1,516	1,546	1,516
Animal Care Trust	-	-	2,216	2,143
Research grants creditors	4,846	3,448	4,846	3,448
Social Security and other taxation payable	1,074	660	1,074	660
Other creditors	354	279	354	279
Accruals and deferred income	717	28	652	26
	8,767	6,242	10,918	8,383
17 CREDITORS: DUE AFTER ONE YEAR				
Unsecured loans	7,715	7,983	7,715	7,983
Unsecured Loans Repayable				
Between 1 and 2 years	243	199	243	199
Between 2 and 5 years	755	678	755	678
In 5 or more years	6,717	7,106	6,717	7,106
	7,715	7,983	7,715	7,983

The unsecured loans include two fixed interest loans for 25 years and one 20 year fixed rate with Royal Bank of Scotland. Interest is fixed at 7.08%, 7.51% and 5.54% respectively.

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Specific £000	General £000	Total £000
18 ENDOWMENTS -CONSOLIDATED			
At 1 August 2005	7,999	2,175	10,174
Additions	512	-	512
Appreciation of Endowment Asset Investment	965	-	965
Profit / (Loss) on disposal	43	16	59
Income for the year	256	75	331
Expenditure for the year	(395)	-	(395)
At 31 July 2006	9,380	2,266	11,646
REPRESENTED BY			
Prize and scholarships	7,570	-	7,570
Other funds	1,810	2,266	4,076
Total Funds	9,380	2,266	11,646

ENDOWMENTS -COLLEGE

At 1 August 2005	6,690	2,175	8,865
Additions	74	-	74
Appreciation of Endowment Asset Investment	965	-	965
Profit / (Loss) on disposal	43	16	59
Income for the year	204	75	279
Expenditure for the year	(237)	-	(237)
At 31 July 2006	7,739	2,266	10,005

REPRESENTED BY

Prizes and scholarship funds	7,570	-	7,570
Other funds	169	2,266	2,435
Total Funds	7,739	2,266	10,005

	Consolidated		College	
	2006	2005	2006	2005
19 INCOME AND EXPENDITURE ACCOUNT	£000	£000	£000	£000
At 1 August	13,290	12,384	13,774	12,905
Current year movement	1,257	906	(239)	869
At 31 July	14,547	13,290	13,535	13,774

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

		Funding Council	Other Donors	Total	
		£000	£000	£000	
20 DEFERRED CAPITAL GRANTS - CONSOLIDATED					
Buildings		9,154	9,256	18,410	
Equipment		393	204	597	
At 1 August 2005		9,547	9,460	19,007	
Cash Received - Buildings		1,588	-	1,588	
Cash Received - Equipment		495	-	495	
Released to I & E Account - Buildings		(509)	(538)	(1,047)	
Released to I & E Account - Equipment		(69)	(53)	(122)	
At 31 July 2006		11,052	8,869	19,921	
Buildings		10,233	8,718	18,951	
Equipment		819	151	970	
DEFERRED CAPITAL GRANTS - COLLEGE					
Buildings		9,154	8,140	17,294	
Equipment		393	204	597	
At 1 August 2005		9,547	8,344	17,891	
Cash Received - Buildings		1,588	-	1,588	
Cash Received - Equipment		495	-	495	
Released to I & E Account - Buildings		(509)	(468)	(977)	
Released to I & E Account - Equipment		(69)	(53)	(122)	
At 31 July 2006		11,052	7,823	18,875	
Buildings		10,233	7,672	17,905	
Equipment		819	151	970	
21 RECONCILIATION OF OPERATING SURPLUS TO					
NET CASH INFLOW FROM OPERATING ACTIVITIES	Note	Consolidated 2006	Consolidated 2005	College 2006	College 2005
		£000	£000	£000	£000
Surplus after depreciation and disposal of assets		1,252	784	(138)	917
Interest payment on loans & finance lease		511	486	332	339
Depreciation	12	3,078	2,811	2,866	2,600
Deferred capital grants released to income	20	(1,169)	(916)	(1,099)	(847)
Investment income	5	(547)	(362)	(495)	(322)
(Increase) / Decrease in stocks	13	13	(112)	11	(117)
(Increase) / Decrease in debtors	14	(1,349)	(488)	540	(295)
Increase / (Decrease) in creditors	16	2,606	(307)	2,616	59
Net cash inflow from operating activities		4,395	1,896	4,633	2,334

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Note	Consolidated		College	
		2006	2005	2006	2005
		£000	£000	£000	£000
22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Income from endowments	18	331	274	279	234
Income from short term investments	5	157	95	157	95
Interest paid		(511)	(486)	(332)	(339)
		(23)	(117)	104	(10)
23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payment for tangible assets	12	(3,119)	(5,324)	(3,119)	(5,324)
Payment for endowment assets	11	(1,014)	(2,550)	(1,014)	(2,550)
Total fixed and endowment assets acquired		(4,133)	(7,874)	(4,133)	(7,874)
Proceeds from sales of endowment assets		485	1,802	485	1,802
Deferred capital grants received	20	2,083	3,921	2,083	3,921
Endowments received	18	512	458	74	129
		(1,053)	(1,693)	(1,491)	(2,022)
24 FINANCING LOANS					
New loans		-	900	-	900
Capital repayment		(349)	(673)	(349)	(673)
Net cash inflow / (outflow) from financing		(349)	227	(349)	227
25 SUBSIDIARIES					
<p>London Bioscience Innovation Centre Ltd (company number 04013123) is a wholly owned subsidiary company registered in England and Wales. Its main business is to facilitate Biotechnology start up companies. Animal Care Trust (charity 281571) is a wholly owned charitable trust of the College whose function is to support the College activities.</p>					
26 RELATED PARTIES					
<p>The College has taken advantage of the exemption conferred by Financial Reporting Standard No 8, 'related Party Disclosures', not to disclose transactions within related parties which are eliminated on consolidation. A related party relationship exists between the College and Immexis. Professor Howard is a director of the subsidiary, London Bioscience Innovation Centre Ltd and a controlling shareholder of Immexis. The College also has 23% shareholding in Immexis. Immexis is a customer of the Subsidiary and pays for laboratory services and accommodation at the same rate as other customers. The amount due from Immexis at the year end is £8,000 (2005 - £8,000). No amount has been written off during the year.</p> <p>The College granted a £300,000 interest free loan to the Principal as part of his relocation package. The loan is secured on his property, and the benefit in kind arising from the loan is £15,000 (2005 - £6,000)</p>					
27 CAPITAL COMMITMENTS					
Contracted at 31 July		10,381	8,642	10,381	8,642
28 TAXATION					
<p>The College and its subsidiary, the Animal Care Trust are charities benefiting from charitable tax exemptions. Its other subsidiary, the London Bioscience Innovation Centre, has not incurred a tax liability in 2006 as it has incurred tax losses.</p>					

NOTES TO THE ACCOUNTS

for the year ended 31 July 2006

	Consolidated		College	
	2006	2005	2006	2005
29 ACCESS FUNDS	£000	£000	£000	£000
At 1 August 2005	20	18	20	18
Funding Council Grants	52	42	52	42
Distributed to students	(69)	(40)	(69)	(40)
At 31 July 2006	3	20	3	20

Funding Council grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

30 PENSION SCHEMES

The two pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). It is not possible to identify the College's share of the underlying assets and liabilities of either scheme and hence contributions are accounted for as if they were defined contribution schemes. The schemes are defined benefit schemes which are externally funded and contracted out of the State second Pension (S2P) and valued every three years by professionally qualified independent actuaries using the Projected Unit Method.

The rates of contribution for both schemes are determined by the Trustees on the advice of actuaries, the cost recognised for the year in the Income and Expenditure account being equal to the contribution to the scheme. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	USS	SAUL
Latest actuarial valuations	31 Mar 2005	31 Mar 2005
Investment returns per annum	4.5%	6.5%
Salary Increase per annum	3.9%	4.5%
Pension increase per annum	2.9%	2.7%
Market value of assets at last valuation	£21,740 million	£982 million
Past service liabilities at last valuation	£28,308 million	£1,056 million
Percentage of members accrued benefits covered by actuarial value of assets	77%	93%
Current employer contribution rate	14%	10.5%
Contribution for future service	14.3%	13.0%
Next actuarial valuations	31 March 2008	31 March 2008

Surplus arising from past service allows employers to pay contributions at 14% for USS and 10.5%, due to change to 13% from 1 August 2006, for SAUL. Surpluses or deficits which arise at future valuations may impact on the employer's future contribution commitment. The next formal actuarial valuations are due at 31 March 2008 when the contribution rates will be reviewed.

	2006	2005
	£000	£000
USS contributions	1,517	1,321
USS premature retirement payment	197	-
SAUL contributions	343	429
Other pension payment	3	3
Total Consolidated Pension Costs	2,060	1,753

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 July 2006

1 ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice 'Accounting for Further and Higher Education 2003'.

2 BASIS OF CONSOLIDATION

The financial statements consolidate the results of the College and the Animal Care Trust, a separate registered charity, and London Bioscience Innovation Centre Limited. The subsidiaries have the same year end as the College. The Student Union Society has not been consolidated. The College has no financial interest and no control or significant influence over the Student Union Society's policy decisions.

3 RECOGNITION OF INCOME

Income from specific endowments and donations, research grants, contracts and other services rendered is included to match the expenditure incurred during the year. All income from short term deposits and general endowment asset investment is credited to the Income and Expenditure (I & E) account on a receivable basis. Only the net margin is reported as income in respect of back to back leases. Income from Tuition Fees is recognised in the Period in which it is received; and includes all fees chargeable to students or their sponsors.

4 PENSION COSTS

Contributions to the USS and SAUL's defined benefit pension scheme are charged to the I & E account as the College is unable to identify its share of the underlying assets and liabilities of these schemes. The amounts charged to the accounts are the same as actual contributions paid.

5 CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise movements in cash. Cash includes cash in hand, overnight deposits and overdrafts. Liquid resources include term deposits and government securities.

6 FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are expensed in the I & E account for the financial year.

7. MAINTENANCE OF PREMISES

Routine and corrective maintenance is charged to the I & E account in the period that it is incurred.

8 FIXED ASSETS

Land and buildings are stated at historical cost. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives between 20 and 25 years. Equipment and furniture costing less than £5,000 per individual item and is not part of a bigger piece of equipment, is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is recognised at cost and depreciated over 3 - 7 years.

Where capitalised items are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants are credited to deferred capital grants and released to income to offset against the depreciation charge.

9 LEASES

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated and charged to the I & E account in proportion to the reducing capital element outstanding.

10 INVESTMENTS

Endowment and fixed asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost or net realisable value. Changes in the market value of fixed asset investments are reflected in the revaluation reserves. Changes in the market value of endowment asset investments are taken directly to the endowment fund.

11 STOCKS

The stocks comprise stores held by surgeries, farm livestock, produce and consumables. The farm stocks are professionally valued; other stocks are stated at the lower of cost or net realisable value.

12 TAXATION STATUS

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. Accordingly the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by s505 of the Taxes Act 1988 or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

RESPONSIBILITIES OF THE COLLEGE COUNCIL

for the year ended 31 July 2006

The Council is responsible for the administration and management of the affairs of the College and is required to present audited financial statements for each financial year.

RECORD KEEPING AND ACCOUNTING

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the College's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards.

FINANCIAL STATEMENTS

The Memoranda agreed between the HEFCE and the Council of the College (the Council) through its designated office holder (the Principal), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year. During preparation of these statements, the Council has ensured:

- * that suitable accounting policies are selected and applied consistently;
- * that judgements and estimates are made that are reasonable and prudent;
- * that applicable accounting standards have been followed, and
- * that financial statements are prepared on the going concern basis. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The 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 Memoranda with the College 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;

- * safeguard the assets of the College and prevent and detect fraud; and

- * secure the economical, efficient and effective management of the College's resources and expenditure.

INTERNAL CONTROLS

The College's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- * clear definitions of the responsibilities and delegated authority of heads of academic and administrative departments;

- * a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

- * monthly reviews of financial results involving variance reporting and updates of forecast outturns;

- * clearly defined and formalised requirements for approval and control of expenditure; investment decisions are subject to formal appraisal and review according to approval limits set by the Council;

- * detailed Financial Regulations of financial controls and procedures are approved by the Audit Committee and Council; and

- * a professional Internal Audit team whose annual programme is approved by the Audit Committee, and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College, and the adequacy and effectiveness of the College's system of internal control, including internal financial control.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the College's system of internal controls, and found it provides reasonable assurance against material misstatement or loss.

CORPORATE GOVERNANCE

for the year ended 31 July 2006

1 The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange July 2003 in so far as it applies to higher education Institutions. Its purpose is to help readers of the financial statements understand how the principles have been applied.

2 Throughout the year ended 31 July 2006, the College has been in compliance with all the provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Universities. The College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

3 The Council of the College is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2006 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

4 The College is an independent corporation, whose legal status derives from a Royal Charter granted in 1956, although the College can trace its history as a corporate body back to 1791. Its objects, powers and framework of governance are set out in this Charter and its supporting Statutes.

5 The Charter and Statutes require that the government of the College shall be vested in the Council, which has management and control of the College and administers all its property and income. The Council has a majority of members from outside the College (known as lay members) from whom the Chairman, Vice-Chairman and Treasurer are by custom elected. None of the lay members receive any payment for the work they do for the College, apart from the reimbursement of expenses.

6 The Statutes also require that there shall be an Academic Board, members of which are the Professors of the College and representatives of the teaching staff, and of which the Principal is Chairman. The Board advises the Council on all academic matters.

7 The principal academic and administrative officer of the College is the Principal, who under the Statutes is responsible for the conduct of the College. Under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council for England, the Principal is the designated officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

8 Although the Council ordinarily meets three times a year, much of its detailed work is initially discussed in Committees. All Council Committees are formally constituted with terms of reference and specified membership. All Committees report to the Council.

9 A majority of the lay members of Council are appointed by external bodies stipulated in the College's Royal Charter. The Council itself may co-opt up to eight members; proposals for the appointment of co-opted members are considered by the Nominations Committee. Ordinarily, lay members are eligible for re appointment at the conclusion of the three year term of membership laid down by the Charter.

10 The Finance Committee inter alia recommends to Council the College's annual budgets and monitors performance in relation to the approved budgets. The Remuneration Committee determines the remuneration of the most senior staff, including the Principal.

11 The Audit Committee meets three times a year, with the College's external and internal auditors in attendance as appropriate. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses. It also receives and considers reports from the Higher Education Funding Council for England as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

12 As Chief Executive of the College the Principal exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of institutional ethos. Senior academic and administrative officers all contribute in various ways to these aspects of the College's affairs, but the Principal remains responsible for the conduct of the College.

CORPORATE GOVERNANCE

for the year ended 31 July 2006

13 The Principal and the College's senior managers receive reports setting out key risk indicators and consider possible control issues. The Risk Register is regularly reviewed and amended as appropriate. Good progress has been made in implementing the risk management process at the College, however, it is recognised that there is still further work needed to ensure that the process is fully embedded at all levels within the organisation. The Audit Committee and Council also receive regular reports from the internal audit and from the Safety Committee which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Council receives reports on risk and control from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

14 The College maintains a register of interests of members of the Council. The Statutes specify that the Secretary to the College shall be Secretary to the Council. Any enquiries about the constitution and governance of the College should be addressed to the Secretary.

15 After making appropriate enquiries the Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

16 The Council has reviewed the College's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

INDEPENDENT AUDITORS' REPORT

to the Council of the Royal Veterinary College
for the year ended 31 July 2006

We have audited the financial statements of the Royal Veterinary College London for the year ended 31 July 2006 which comprise the statement of principal accounting policies, the consolidated and college income and expenditure accounts, the consolidated and college balance sheets, the consolidated and college cash flow statements, the consolidated and college statements of total recognised gains and losses, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the Royal Veterinary College, as a body, in accordance with the Financial Memoranda dated October 2003. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the statement of the responsibilities of the Council, the Council is responsible for the preparation of the financial statements in accordance with the University's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Royal Veterinary College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the Treasurer's report is not consistent with the financial statements, if the Group has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

(a) the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2006 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;

(b) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and

(c) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memoranda, dated October 2003 with the Higher Education Funding Council for England.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
St Albans
December 2006