



THE ROYAL VETERINARY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

The Royal Veterinary College

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GOVERNORS AND ADVISORS

MEMBERS OF THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

Independent Members

The Rt Hon The Baroness Shephard of Northwold (*Chairman from 1 January 2008*) – to 20 March 2012 +*

Mr P Orchard-Lisle (*Vice-Chairman from 1 January 2009 & Acting Chairman from 21 March 2012 – 31 July 2012*) – second term from 1 August 2010 – 31 July 2014 +*

Mr C Perrin (*Honorary Treasurer*) – with effect from 1 July 2010 – 31 July 2014 +*

Mr D Danson – with effect from 1 January 2009 - (second term from 1 August 2012 – 31 July 2016) +

The Rt Hon Frank Dobson, MP – with effect from 1 January 2009 (second term from 1 August 2012 – 31 July 2016)

Dr K Fleming – with effect from 1 January 2009 – 31 July 2012 #*

Mr J Grosvenor – with effect from 1 August 2011 – 31 July 2015 #

Professor J C Milne – (with effect from 1 January 2008) – second term from 1 August 2011 to 31 July 2015 #

Professor Dame Lesley Southgate – with effect from 1 August 2009 – 31 July 2013

Mr J Walmsley – with effect from 1 August 2009 – 31 July 2013

Professor J Wyke – with effect from 1 October 2008 – 31 July 2012 #

Members Elected by the Academic Board

Professor A Boswood – with effect from 1st August 2011 – 31st July 2015

Dr C Wheeler-Jones – with effect from 1 January 2009 (second term from 1 August 2012 – 31 July 2016)

President of the Students' Union

Mr K McAllister (2011/12)

Principal (*ex-officio*)

Professor SWJ Reid

Vice-Principals (*ex-officio*)

Professor DB Church (V-P Academic and Clinical Affairs) – with effect from 1 January 2011

Professor J Elliott (V-P Research) – with effect from 14 November 2007

Professor S May (Deputy Principal & V-P Teaching) – with effect from 1 January 2008

Secretary to Council (in attendance): Mrs Elaine Acaster

The members of Council are considered to be the Trustees.

Members of Council Committees

+ Finance and General Purposes Committee

Audit Committee

* Remuneration Committee

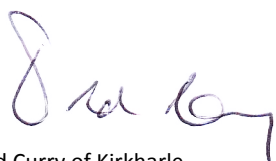
Bankers The Royal Bank of Scotland, London

Auditors KPMG LLP
Chartered Accountants and Statutory Auditors
London

CHAIRMAN'S INTRODUCTION
for the year ended 31 July 2012

I am delighted to introduce the Annual Accounts of the Royal Veterinary College. Since taking up the role of Chairman of Council in August 2012, I have enjoyed meeting with the staff and students of RVC and learning more about the organisation. Integral to this has been an understanding of the College's business, much of which is captured in the pages that follow and which demonstrate a level of performance which is very encouraging in the current climate of change. I can, of course, claim no credit for the success of last year and here I pay tribute to my predecessor, Baroness Shephard. Under her guidance the RVC has seen remarkable growth and I inherit from her an institution in good health and robust spirit, with an eye on the future, and have the challenge of building on the foundations she laid. I also thank Paul Orchard-Lisle for his commitment, energy and service both as Gillian's deputy and as Acting Chairman during the *inter regnum*. RVC owes them both an enormous debt of gratitude.

Reviews must be set in the context of the continuing business and I endorse my Principal's report and his views on the challenges ahead. I look forward to working with him and our colleagues in what I know will be the next exciting chapter in the history of the Royal Veterinary College.



Lord Curry of Kirkharle

PRINCIPAL'S REPORT
for the year ended 31 July 2012

For over 200 years, the provision of international quality education, research and clinical service have been at the core of the Royal Veterinary College's objectives, all underpinned by a desire to be the place of choice to study and work. These objectives require that the supporting aspects of our business are robust and sustainable and I am delighted that, in what has been another challenging year of change, we are able to report a favourable financial out-turn. It is particularly heartening that a revised budgeting cycle, with a focus on our strategic aims and, for the first time, a three year horizon, together with renewed focus on procurement and cost control, have delivered such positive results and reserve capacity; I pay tribute to all those involved for their efforts.

Of course, financial performance is only one metric that we must apply in our self-assessment and therefore it is equally pleasing to report that the College achieved recognition at the Times Higher Educational Supplement awards 2011 for the most improved student experience; generated its greatest ever annual research income; has published more in the highest ranking research journals than ever before; has increased its clinical turnover by 6% and delivered surgical care unique in Europe.

Despite the dramatic reduction in core funding for capital and ambitious plans for our working environment, we continue our drive to maintain, develop and replace our facilities and services. The presence of our incredibly popular new student village at Hawkshead now contrasts markedly with buildings coming to the end of their useful life and redevelopment of these will ensure we remain focused on efficiencies in both physical and carbon footprints. It has been especially fulfilling this year to see the significant investment in recreation and sports facilities come to fruition. Health, whether physical or mental, and the need for cultural enrichment in a science biased environment, are essential elements of life on both Camden and Hawkshead campuses.

With modest restructuring to be completed by the end of 2012 and the engagement of our new Chairman of Council, Lord Curry of Kirkharle, RVC is well placed to grasp the strategic review we must put in place for the next five years. All of our business is now conducted in an international environment and whilst we remain committed to our mission in terms of the UK sector, we must understand better our aspiration on the world stage. At a time when our traditional funding streams have either changed, are changing or are uncertain, the imperative will be to ensure the portfolio of activities we embrace allows us to be both proactive and reactive, responding quickly but purposefully to the requirements of the society and communities we serve.

The important accreditation visitation of the American Veterinary Medical Association is due this coming year, I know that RVC will meet the standards expected of us if we remain true to our values and maintain our focus on the quality of the education, research and clinical care we provide. However, turning my opening paragraph through 180 degrees, long term success and financial sustainability requires a broader focus; that is the quality of *life* we provide for staff and students as it is ultimately this that will make RVC *the* place of choice to work and study.

Finally, I echo the thanks of the Chairman for the contribution of Baroness Shephard to life at the Royal Veterinary College. Her commitment to our mission, and the skills and experience she brought to bear on all of our activities have positioned us at the forefront of our sector; her legacy is our future.



Professor Stuart WJ Reid

OPERATING AND FINANCIAL REVIEW

for the year ended 31 July 2012

The Operating and Financial Review considers the College's activities in the year 2011/12 in the context of the challenges and risks within which it operates.

Context and risk analysis

The Royal Veterinary College (RVC), founded in 1791, was the first of its kind in the UK and remains the only independent Higher Education Institution for teaching and research in the veterinary and allied sciences. The RVC has the largest range of veterinary, para-veterinary and animal science undergraduate and postgraduate courses of any veterinary school in the world, and is one of the largest veterinary schools in Europe. The College is a constituent college of the federal University of London.

The key strategic objectives of the College are set out within its Corporate Plan 2009-2013. At the heart of this Corporate Plan is the provision of leadership in veterinary education, research and clinical endeavour. Developing and enhancing excellence across all of the College's activities is paramount.

The College has adopted a range of Key Performance Indicators to assess its overall strength and progress against the Corporate Plan. Areas covered include: student recruitment, retention and employability; improving the student experience in both educational and social terms; financial performance against budgets and longer-term sustainability; quality of research outputs and funding success; growth in clinical caseload driven by targeted investment in services and facilities.

Risk awareness and management is well embedded within the College. The Corporate risk register sets out the key risks facing the College. Risks are identified through a combination of 'bottom-up' and 'top-down' processes and are discussed by the senior managers, Audit Committee and at Council. The current register has been updated following the exercises undertaken by Council and the senior managers in Autumn 2011 to review risk, and assess the strength of mitigation actions. Financial risks continue to dominate the risk register, although, where appropriate, their impacts have been gradually downgraded during the year as uncertainties in the external environment, particularly student funding and student recruitment, have become clearer. Ongoing scrutiny ensures the College meets and provides for its historical and current obligations. Other significant risks include those impacting on the College's reputation, including performance in the National Student Survey and league tables.

Compared to other Higher Education Institutions, the College derives a relatively large proportion of its income from commercial activities. These are primarily through veterinary fees generated by our veterinary hospitals, first opinion practices and diagnostic laboratories. In addition, the College's wholly owned subsidiary, the London Bioscience Innovation Centre, provides laboratory and office space to small biotech and related industry companies. These areas of the College's operations are subject to very different market and competitive conditions when compared to teaching and research activities; appropriately, different leadership, management and risk analyses are in place.

Academic review

Learning and the student experience

The College's taught programmes aim to provide education to the whole of the veterinary team. The Bachelor of Veterinary Medicine (BVetMed) degree is the core taught programme, with over 1,200 students registered over the five-year duration. The programme provides the education, skills and knowledge required to practice as a veterinary surgeon. July 2012 saw the graduation of the first cohort of students to have passed through a substantially revised curriculum. As well as encouraging study to a greater depth, the revised curriculum allows greater opportunity for students to develop specific areas of interest allowing them in turn to develop a distinctive CV making them more attractive to prospective employers. The successful implementation of the final stages of the new curriculum represents several years of sustained effort which necessitated the input and co-operation of the majority of members of teaching staff at the College. Graduation is always a proud time for the institution and its staff and students, but this year especially so.

OPERATING AND FINANCIAL REVIEW (continued) for the year ended 31 July 2012

Another key member of the veterinary team is the veterinary nurse. The College offers a BSc and a Foundation Degree (FdSc), both of which recruited to target. During the year the College received full approval for the FdSc from the Royal College of Veterinary Surgeons, recognition of the importance of the nurse's contribution to the profession, supported by a robust academic preparation.

There are strong research components to all of the College's undergraduate programmes. Students on the BSc Bioveterinary Sciences and BVetMed programmes continue to generate cutting edge research output. Within the past 12 months alone, data generated by students on these programmes has been presented at meetings in the US, Europe and the UK. There is great value to the student in providing these networking opportunities through exposure to the wider research community, and this is apparent in the increase seen in students securing prestigious PhD opportunities at universities across the world.

The College's post-graduate provision offers opportunities in niche veterinary areas. During the year opportunities have been identified to expand the range of options for post-graduate study by both refreshing existing material and also developing new programmes. Of the latter, significant progress has been made in the development of a 'one-health' MSc in collaboration with the London School of Hygiene and Tropical Medicine (LSHTM), with a first intake of students expected in September 2013.

The College takes extremely seriously the views of its students, many of which are expressed through the National Student Survey (NSS). For a number of years the College has performed less well in this survey than its peer veterinary schools and much effort has been made in introducing a range of improvements. The College performs well in most of the academic-related criteria of the survey, but less well in other aspects such as social and sporting facilities. The steps taken to address issues led to a marked improvement in student feedback, and the College was awarded the Most Improved Student Experience by the Times Higher Education publication, on the back of a 37 place improvement in the student satisfaction league table for 2011. The College has improved a further 45 positions in the 2012 rankings.

Further evidence of the improvement in the students' experience was the excellent performance of the BSc Bioveterinary Science in the Guardian University Guide's ranking for bioscience programmes, where the College's programme came first of 96 programmes for student satisfaction with both the course and the teaching. The programme also came first for graduates gaining industry relevant employment within six months. Overall the programme came eighth.

Research and innovation

Research activity across the College continues to grow. During the year the focus has been on preparing for the Research Excellence Framework (REF) in 2014 and good progress has been made.

It was extremely pleasing to have papers from the College scientists published in top journals. Members of the Structure and Motion research team had a paper 'Flying in a flock at a cost in pigeons' published in *Nature*; and work involving the biomechanics of elephant feet was published in *Science*.

Grant applications and awards in the year have been the highest ever, demonstrating how competitive academic staff have been in the current difficult funding climate, with success rates from applications to Research Councils being well above benchmarks.

The College's future success in research is in part driven by the number of PhD studentships and completion rates. PhD student numbers also drive one aspect of HEFCE's research funding allocation. The target is to have 120 active PhD students, and the College is very close to achieving this. Funding PhD students is becoming more difficult, but the College was successful in a partnership bid to the Biotechnology and Biological Sciences Research Council (BBSRC) Doctoral Training Partnership, led by University College London. The award was for 18 studentships per annum for three years, of which the College expects to register two students.

OPERATING AND FINANCIAL REVIEW (continued) for the year ended 31 July 2012

Clinical Services

As one of the largest veterinary teaching hospitals and referral centres in Europe, RVC is pre-eminent in leading cutting edge clinical care development in an educational yet commercial environment. With record numbers of patients and an income of £7.8m, the Queen Mother Hospital for Animals contributes significantly to the income of the College, a revenue augmented by equine clinical services and diagnostic laboratory services. Mindful that these activities only occur because the College is educating students, the commercial efficiencies of these operations will be pivotal in RVC's future. A strong clinical base underpins both research and training and the performance over the last year has demonstrated once more that RVC leads the field in pioneering approaches to the treatment of animal disease. Of particular note in the last 12 months two hypophysectomies have been performed on feline patients at the RVC, the only centre in the UK where this procedure has been carried out.

Corporate responsibility

Staff

The College recognises that its staff members are critical to its success. As such the College offers a broad range of development opportunities to its staff through a structured annual programme covering leadership and management skills, recruitment and retention, IT skills, research careers, health and safety and wellbeing and also through personal development objectives agreed through the staff appraisal process.

Employment strategy is considered by the Council, through the Finance and General Purposes Committee and the Remuneration Committee. In addition regular meetings are held between the College's management and the Recognised Trade Union (RTU) bodies. The College strives to work as collaboratively and constructively as possible with the RTUs.

Staff wellbeing is very important to the College. This is supported through encouraging open communication between staff and their managers, access to an occupational health service and a telephone advice line available at no cost to all employees.

The scientific nature of the College's work means that certain staff are exposed to conditions for which strict health and safety measures must be in place. The College has a well established risk assessment process, training programme and set of standard operating procedures in place in these instances, thereby limiting the number of incidents that occur. The Safety Committee review policy and procedure and any incidents and these are reported directly to the College Council.

Equality and diversity

Equality and diversity are widely promoted across the College, both in relation to staff and to students.

All staff are required to undertake online equality and diversity awareness training as part of their induction and cannot be confirmed in post until this has been successfully completed. The College has an Equality Strategy Group. This group is responsible for developing policies and strategy and monitoring compliance. During the year this Group built on its work in previous years in further developments to the College's Single Equality Scheme.

Financial

The financial statements have been prepared in accordance with the SORP 2007: 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), the London BioScience Innovation Centre Limited (LBIC), RVC Developments Limited, and Royal Veterinary College (Hong Kong) Limited.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2012

CONSOLIDATED RESULTS FOR THE YEAR TO 31 JULY

	2012 £000	2011 £000
Income	71,900	68,598
Expenditure	69,722	68,248
Surplus on Continuing Operations	2,178	350
Transfer from specific endowments	372	429
Surplus retained within General Reserves	2,550	779
Investment in Fixed Assets	4,577	23,322
Borrowings	24,627	24,639
Short-term cash and deposits	14,180	6,367
Net cash flow from operating activities	9,089	6,821
Net Liquidity days	81	36

Income and expenditure

The Group achieved a surplus of £2,550,000, which, despite the noted provisions, was better than originally budgeted due to improved income from HEFCE, student fees, research overhead recovery and unrestricted donations; and lower operating costs.

Capital Investment

The College continues to invest in its physical infrastructure. During the year new student residences and short-let accommodation at the Hawkshead campus were completed. The project, with a total budget of £18m was completed on time and within budget, thereby allowing the accommodation to be let to students from September 2011. The staged completion and handover of the project from the contractor to the College necessitated a staged marketing of the accommodation to students, and occupancy in this first year of operation was therefore around 50%. Enhanced marketing and the removal of the availability constraint have ensured that interest in occupancy has greatly increased for the 2012-13 academic year.

Investment has been made to enhance farm and production animal teaching and research facilities at the Hawkshead campus. Social and sporting facilities remain a high priority for capital investment and during the year improvements were made to the Student Union bars, sports changing and gymnasium facilities.

Capital structure

The College has a borrowing ratio (borrowings: total income) of 34%. This is a measure used by HEFCE in assessing debt levels and compares to a sector average of 25%. While above the sector average, all of the College's debt has been used to fund activities with a specific ongoing income stream, principally student residences. The debt is with the Royal Bank of Scotland and is at fixed rates of interest, thereby giving certainty over future cash flows. The maximum duration of any loan is 25 years.

Treasury policy and investments

The College's treasury policy seeks to ensure an appropriate return on investments at a level of risk agreed by the College Council.

The College has a long-standing engagement with BlackRock Asset Management to administer and advise on appropriate funding opportunities for surplus cash and liquid assets over and above those needed for routine working capital purposes. A revised investment strategy was agreed during the year and the portfolio assets amended to achieve a higher drawdown of income of 4%. In revising the assets in the portfolio a significant book profit was crystallised. At 31 July 2012, the College held a total of £9,425,000 across eight BlackRock funds. The majority of these investments represent endowment assets. In addition to this, £10,812,000 was held in BlackRock's Institutional Liquidity Fund (ILF). The ILF is used for surplus short term cash and offers attractive returns compared to alternative instant access accounts.

Overall, the College's investments produced a small negative return for the year to 31 July 2012, due mainly to weak equity markets. This negative return was disappointing, but through the active management strategy agreed with Blackrock, the impact of market conditions was mitigated as far as was possible and the return was better than the agreed benchmark.

The investment of working capital funds is monitored by the Finance and General Purposes Committee. There is a short list of permitted organisations for College deposits, all of which are required to have a credit rating of 'A' or above as rated by international agencies.

Cash flows

Due to the surplus reported; high levels of depreciation charged; and changes in debtors and provisions; the net cash inflow from operating activities was £9.1m (2010: inflow of £6.8m).

The College has in place overdraft facilities to deal with any unexpected short-term changes in its cash profile and position. This facility was not drawn upon during 2011-12.

Pension funds

Staff at the College are entitled to join either the Universities Superannuation Scheme (USS) or the Superannuation Scheme of the University of London (SAUL).

Major reforms to the former scheme were agreed by the USS Board and with effect from 1 October 2011 new joiners will accrue benefits on a career average earnings (CARE) basis. Existing members' benefits will continue to accrue on a final salary basis. There was no change to the 16% employer's contribution rate.

Agreement was also reached on reforms to the SAUL scheme, and with effect from 1 June 2012 new joiners will accrue benefits on a CARE basis and existing members on a final salary basis. There was no change to the 13% employer's contribution rate.

Both schemes were formally valued on 31 March 2011 and the funding positions of both were below the level required by The Pensions Regulator. Formal action plans to address the funding gap have been prepared for approval by The Pensions Regulator.

Financial outlook

From 2012-13 the balance of funding the teaching of students shifts dramatically away from public funds towards contributions directly from students. However, HEFCE have confirmed that they will continue to provide some funding for students studying in high-cost subject areas, which covers the vast majority of the College's students.

The College's fee and financial support proposals for new undergraduate students entering in 2012-13 have been agreed by the Office for Fair Access (OFFA). The College is charging between £7,500 and £9,000 per student. The majority of students will take out loans from the Student Loans Company to cover their fees. These students only start repaying their loans after graduation once they are in employment and have earnings above an agreed threshold (currently £21,000 per annum).

With the main elements of student funding in place, the main financial risk is in recruiting appropriate numbers of students, which has become a very fine balancing act.

The government have created a 'core and margin' system for recruitment of UK and EU students. Restrictions on recruitment for UK and EU students gaining A-level grades at AAB or better have been lifted; whereas students below this achievement level are tightly controlled through a Student Number Cap (SNC). HEFCE have removed their tolerance band for funding and so any under-recruitment leads to a loss of funding; on the opposite side, there are severe funding penalties for exceeding the student number cap.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2012

Recruitment figures for the autumn 2012 intake indicate that the College has met its overall targets. After a number of years of growth, recruitment of international students has been lower than target, but it is not yet clear whether this is an emerging trend. A large number of the College's UK and EU students fall into the AAB or better category and so the College has been able to offset the reduction in international numbers by increasing home recruitment outside of the SNC.

Arguably the uncertainty over recruitment was even greater for the College's post-graduate programmes, due to increasing student debt levels. It is pleasing therefore to report provisional recruitment to targets, both from home and from international markets. In international student activities the College remains highly vigilant to ensure compliance with the UK Border Agency (UKBA) requirements.

As reported, research performance continues to be strong. Continued success in grant awards will be crucial in sustaining and enhancing the knowledge base of veterinary science. Whilst predicting future success is difficult, the College believes it has in place the necessary components in strong academic staff, excellent science, a robust ethical review process and appropriate facilities, underpinned by robust management information systems.

The College generates over 20% of its annual income from its clinical activities. The College has arguably some of the best equipped and resourced referral hospitals in the UK, yet it is not alone in this marketplace. A number of new service areas have been developed and successfully launched during the last year and continued development of services, a fuller understanding of the cost of individual services and consideration of strategic partnership arrangements will be crucial in meeting future financial targets in this area.

It is expected that the cost base of the College in its day-to-day operations will remain stable in the medium term, but it is anticipated that there will be pressure on staff costs for 'catch-up' pay awards. These have been modelled into financial forecasts.

The College has identified a number of priority capital investments to enhance the student experience and academic teaching and research. Securing low-cost external funding for these projects will be difficult, given the large reductions in HEFCE funding.

Over the last year the College has been discussing indicators which would assess financial sustainability and has agreed that sustainability should primarily be measured against cash generation and utilisable cash balances. While the College is in a strong financial position, it is currently below the sector average for net liquidity days. Further cash generation will be required if the College is to fund all of its priorities and reach a sustainable position using this cash measure. Plans have been made to enhance cash balances through higher budgeted income and expenditure surpluses and by amending the College's debt financing arrangements. It is expected that these actions will allow the College to reach its internal targets for financial sustainability by 2015.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT

for the year ended 31 July 2012

The College is an exempt charity under the terms of the Charities Act 2006.

The governing body of the College is its Council. In accordance with the Articles of Governance, Council is responsible for determining the strategic direction, educational character and mission of the College while ensuring the efficient and effective use of resources, its solvency and the safeguarding of its assets.

In setting and reviewing the College's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. Attention is also paid to guidance issued by HEFCE in its role as principal regulator on behalf of the Charities Commission.

General principles of public benefit

The main principles of public benefit in the Charities Act 2006 are as follows:

Principle 1: There must be an identifiable benefit or benefits

- It must be clear what the benefits are.
- The benefits must be related to the aims.
- Benefits must be balanced against any detriment or harm.

Principle 2: Benefit must be to the public, or a section of the public

- The beneficiaries must be appropriate to the aims.
- Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:
 - by geographical or other restrictions; or
 - by ability to pay any fees charged.
- People in poverty must not be excluded from the opportunity to benefit.
- Any private benefits must be incidental.

Delivery of public benefit from the mission and strategic aims

The mission and aims, approved by Council for the Corporate Plan 2009-2013 state this directly:

Mission:

We will enhance our global reputation as an outstanding independent veterinary college by:

- Improving the quality of the student experience educationally and socially;
- Delivering excellent education through the best methods and progressive practice;
- Undertaking research of international quality in focused areas of global significance for animal and human health;
- Improving animal health and welfare by the provision of outstanding clinical activity across animal species;
- Engaging with the business community and exploiting our novel ideas;
- Promoting public health and supporting society through the study of the relationships between people, animals and food;
- Engaging fully with local, national and international communities and all our stakeholders.

Strategic aims:

The strategic aims of the College have all been set to promote and enhance excellence across its activities. These are set out in the College's Corporate Plan 2009-2013, which can be accessed at <http://www.rvc.ac.uk/corporateplan/index.cfm>

Delivery of public benefit through education and training

The provision of higher education remains one of the College's core activities. The beneficiaries are the students who participate in higher education at the College. Ultimately higher education provides a skilled population that can contribute to the enhancement of society and the economy through productive careers. In 2011-12, over four-hundred and fifty students of the College graduated from programmes of undergraduate, postgraduate and research study. As part of this process, graduates of the College's main undergraduate degree, the Bachelor of Veterinary Medicine, were also inducted into membership of the Royal College of Veterinary Surgeons and many of them go on to work in veterinary practices to provide expert advice and treatment for the benefit of both animals and their owners.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT (continued)

for the year ended 31 July 2012

The College is also the largest supplier of non-commercial veterinary Continuing Professional Development (CPD), and postgraduate professional certificates accredited by the Royal College of Veterinary Surgeons. It therefore contributes substantially to the public good of state-of-the-art veterinary services.

Since the development of the internet as a publicly available resource, educational providers have recognised the opportunities for distance learning. In recent years the College has been developing better pedagogical expertise and technical capacity to support distance education courses at both undergraduate and postgraduate levels. Distance learning programmes allow students to study at their own pace from any location globally. In some of the College's highly specialised areas, distance learning allows a critical cohort mass of students to be achieved thereby supporting the sustainable sharing of knowledge. The knowledge gained, especially by those from developing countries, is used directly to influence key decisions in the veterinary profession in those countries.

The College also has a unique Centre for Excellence in Teaching and Learning that develops materials for the College's own curricula, and supplies them (free of charge) to other educational institutions, as well as making computer-aided learning packages available via the internet.

Delivery of public benefit through research

Researchers at the College are actively engaged in enhancing understanding in the basic sciences as well as in veterinary sciences. The vast majority of this research is undertaken for publication (often this is a condition of the research funder) and thus the outcomes of research activities add to the publicly available knowledge in these areas. Research is undertaken so that it has the potential to enhance or change society for the better through increasing understanding, influencing behaviours and stimulating economic opportunities.

Increasingly, the outcomes of research into improving animal health and wellbeing are applicable to understanding and improving human health (e.g. research into osteoporosis, arthritis, neuromuscular disorders, type II diabetes, atherosclerosis, fetal programming and the effect of maternal diet on health of the offspring and kidney function). The College is actively involved in this 'one health' agenda. In particular, research is being undertaken on canine diabetes and canine muscular dystrophies. The findings of both areas of this work are being used to inform researchers working on these conditions in humans.

We participate with four other colleges of the University of London in jointly funding the London International Development Centre (LIDC) whose focus is on cross-disciplinary research, training and building local capacity for the developing world. The College is involved, through LIDC, in an 'agri-health' project in which animal, medical and social science researchers are operating collaboratively.

Delivery of public benefit through outstanding clinical activity

During the year over 30,000 cases passed through the College's various clinical facilities, which are staffed and equipped to cater for companion animal species from rodents, through dogs and cats, to horses and alpacas, as well as production animals from farms in the region. The clinical teams in the College's hospitals offer a broad range of diagnostic techniques and treatment options to optimise care, whether cases are presented for primary care directly by their owners, or at the request of professional colleagues for secondary and tertiary services. Our capabilities range from the provision of routine clinical examinations and basic health care for all species to near unique procedures such as standing MRI and CT investigations in horses that avoid the need for general anaesthesia, and interventional radiological techniques in dogs and cats that facilitate advanced treatment of cardiac and respiratory disease, enabling access to appropriate care at many different levels. The College's clinical staff are also regular attendees at external events, such as shows and professional exhibitions, delivering lectures and workshops to audiences including the general public and farmers, as well as veterinary surgeons.

Access to Opportunity

The College actively encourages applications from all those with the academic ability to succeed, regardless of their background. A key element of this access to opportunity is through the College's Gateway programme, which is a one-year preparatory course for non-traditional students to provide a route into studying veterinary medicine. The programme is offered to non-selective state school students whose parents have not been to university and who satisfy strict requirements regarding levels of parental income. To encourage participation the College offers a generous bursary to Gateway students, which not only covers the cost of their tuition fees, but also contributes to their living expenses. Bursaries are made available to all students on undergraduate programmes to encourage potential students from a wide range of socio-economic backgrounds to apply to study. It is felt that these measures contribute to widening participation and ensure the opportunity to participate is not unreasonably restricted by the ability to pay fees.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT (continued)

for the year ended 31 July 2012

The College has an education liaison team which continues to enhance the College's widening participation activities. Previously this work was supported by HEFCE's Aim Higher fund. Unfortunately this fund is no longer available and this has made liaison with schools more difficult in the last year, although almost 2,000 school students are involved in working with the College. The College offers a weekly "Afternoon Anatomy" session to school children, giving them the opportunity to engage with and learn basic elements of anatomy in an informed and fun environment. A number of master classes took place, including access to the College's research in the structure and motion of animals.

In regard to the College's clinical activities the Beaumont Sainsbury Animals' Hospital in Camden operates as a first opinion practice for the local community, offering very competitive rates for treatment, and also undertakes particular charitable services for the Dogs Trust and other charities in neutering animals before re-homing.

Public and community engagement

The 'Farming for All' project held at the College's farm in Potters Bar continues to provide opportunities for those from a wide socio-economic background to engage with rural and veterinary activities. This year's event attracted record numbers.

Outward engagement occurs on both of the College's campuses in Camden and in Hertfordshire and embraces the whole age spectrum in that College members work with both children and adults. A large and enthusiastic cohort of student ambassadors (40) undertake a range of educational activity with primary and secondary pupils across London and also nationally. They endeavour to train young people both in scientific skills and personal development and are much praised by teachers and parents. The College's Anatomy Museum is a great educational resource, housed as it is within a building of architectural significance. Throughout the year adult groups, particularly in the age range 55+ visit and, just like the younger students, are introduced to the study of Anatomy and Animal Welfare. Over 200 people attended in 2011-12. As part of its belief in a liberal education, the College has also played host to adult classes wishing to view the building architecturally and also to those who wish to study Art and Anatomy and who come to draw the many skeletal exhibits on show: 120 members of the public availed themselves of these opportunities in the course of the year. In conjunction with a local adult and community college, an exhibition of ceramics and pottery themed around animals was hosted for a month within the Museum. Similar groups, though hitherto on a smaller scale, have visited the Queen Mother Hospital at the Hertfordshire campus. The College values its relationship with the wider community and seeks to enhance public activity in a sustainable and practical programme of activity in future years.

Sustainability

The College has been in existence for two-hundred and twenty years and throughout that time has strived to be a socially responsible organisation which contributes to social and economic development through knowledge exchange, often through active partnerships, to wider audiences.

The College recognises the direct and indirect impact its activities have on the local, regional and global environment. The College has developed solutions to reduce these impacts through the creation of an environmental policy which is focused on travel and transport; energy; waste management and recycling; and water consumption.

The Council has approved a Carbon Management Plan which sets out a strategy to achieve a 20% reduction in emissions by 2018. Energy consumption during the year has been managed through the use of solar thermal panels on the roofs of new student residences, voltage optimization technologies, more efficient gas heating systems and an ongoing campaign of raising awareness by the environmental staff team. The College offers a free shuttle bus service to staff and students at its Hawkshead campus in Hertfordshire, which has greatly reduced the extent of private vehicle travel to and from the campus.

The operation of the College's estate is an example of the need to balance the benefits against any detriment or harm. These are considered during the decision making processes of the College and it is felt that the benefits gained from delivering education, training, research and clinical activities at the College's campuses outweigh the environmental impacts of these activities.

RESPONSIBILITIES OF THE COLLEGE COUNCIL

for the year ended 31 July 2012

The Council is required to present audited financial statements for each financial year. The Council is responsible for the maintenance and integrity of the College's corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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 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 2007 and other relevant accounting standards.

FINANCIAL STATEMENTS

Financial statements are prepared in accordance with the College's Charter. Guided by the College's Statement of Primary Responsibilities, Council ensures the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment. During preparation of these financial statements, the Council has ensured:

- that financial statements are prepared on the going concern basis. The Council is satisfied that the College 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;
- that funds from 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;
- that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

INTERNAL CONTROLS

The College's system of internal control, which is designed to discharge the responsibilities set out above, includes 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;
- 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. It did, however, ask for a review of historical aspects of some financial processes and assumptions in the area of HMRC and pension liabilities and these are ongoing.

CORPORATE GOVERNANCE
for the year ended 31 July 2012

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 2012, 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 2004 and revised in 2009.
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 2012 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, which were most recently revised in 2010.
5. The Charter and Statutes require that the governance of the College shall be vested in the Council, which, as the governing body, is collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment to achieve the institutional mission. The Council has a majority of members from outside the College (known as independent members) from whom the Chairman, Vice-Chairman and Hon Treasurer are elected. None of the independent members receives any payment for the work done 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 accountable officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
8. Independent Members constitute the majority on Council. 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, and report to the Council.
9. The Finance and General Purposes 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.
10. 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.
11. 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 work.

CORPORATE GOVERNANCE (continued)
for the year ended 31 July 2012

12. 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 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.
13. The College maintains a register of interests of members of the Council. Any enquiries about the constitution and governance of the College should be addressed to the Secretary to the Council.
14. 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, it continues to adopt the going concern basis in preparing the accounts.
15. 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.
16. The Council noted some areas of potential exposure in recognising some pension and HMRC liabilities and are satisfied that appropriate steps have been taken to provide for these liabilities where relevant, clarification sought where appropriate and improvements in procedures implemented where necessary.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

We have audited the Group and College's financial statements (the "financial statements") of The Royal Veterinary College for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses 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).

This report is made solely to the Council, in accordance with Charter and Statutes of the College. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

As explained more fully in the Responsibilities of the College Council set out on page 15 the Council is responsible for the preparation of financial statements which 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.

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 College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and College as at 31 July 2012 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; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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 College for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the College'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 matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control is inconsistent with our knowledge of the College and the Group.



Neil Thomas

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

29 November 2012

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2012

		Year ended 31 July 2012	Year ended 31 July 2011
	Note	Consolidated £000	Consolidated £000
INCOME			
Funding body grants	1	26,775	27,839
Tuition fees and education contracts	2	10,053	8,969
Research grants and contracts	3	14,325	12,394
Clinical and related earnings	4	16,225	15,396
Other income	4	4,104	3,501
Endowment and investment income	5	418	499
TOTAL INCOME		71,900	68,598
EXPENDITURE			
Staff costs	6	36,564	36,655
Staff costs – non-recurrent severance payments	6	-	1,739
Other operating expenses	9	26,595	24,156
Depreciation	11	5,138	4,265
Interest and other finance costs	7	1,425	1,433
TOTAL EXPENDITURE	8	69,722	68,248
Surplus after depreciation of tangible fixed assets		2,178	350
Taxation		-	-
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		2,178	350
Transfer from accumulated income in endowment funds	19	372	429
SURPLUS RETAINED WITHIN GENERAL RESERVES	21	2,550	779

The consolidated income and expenditure relates wholly to continuing operations.

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2012


		Year ended 31 July 2012	Year ended 31 July 2011
	Note	Consolidated £000	Consolidated £000
Surplus on continuing operations after depreciation of assets and disposal of assets and tax		2,178	350
(Decrease)/increase in market value of investments	19	(111)	646
New Endowments	19	442	1,020
Endowments transferred to deferred capital grants	19	(177)	(1,435)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		2,332	581
Reconciliation			
Opening reserves and endowments		33,536	32,955
Total recognised gains relating to the year		2,332	581
CLOSING RESERVES AND ENDOWMENTS		35,868	33,536

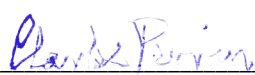
BALANCE SHEETS

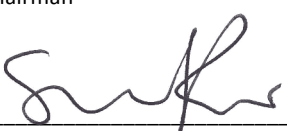
as at 31 July 2012

	Note	Year ended 31 July 2012		Year ended 31 July 2011	
		Consolidated £000	College £000	Consolidated £000	College £000
FIXED ASSETS					
Tangible assets	11	78,939	77,665	79,500	77,950
Investments	10	132	142	114	142
		79,071	77,807	79,614	78,092
Endowment asset investments	12	10,029	8,768	12,852	11,490
CURRENT ASSETS					
Stocks	13	812	802	683	671
Debtors – amounts falling due within one year	14	5,977	7,926	6,672	7,030
Debtors – amounts falling due after more than one year	14	-	1,377	-	1,100
Short term deposits	18	12,403	12,034	1,166	2,528
Cash at bank and in hand		1,777	595	5,201	4,418
		20,969	22,734	13,722	15,747
Creditors – amounts falling due within one year	15	(17,035)	(18,945)	(16,881)	(19,282)
Short term provisions	16	(2,601)	(2,601)	-	-
Net current liabilities		1,333	1,188	(3,159)	(3,535)
Total assets less current liabilities		90,433	87,763	89,307	86,047
Creditors – amounts falling due after more than one year	17	(24,211)	(24,211)	(24,368)	(24,368)
TOTAL NET ASSETS		66,222	63,552	64,939	61,679
Deferred Capital Grants	20	30,354	29,722	31,403	30,705
Endowments					
Expendable	19	2,703	1,498	3,178	1,853
Permanent	19	7,326	7,270	9,674	9,637
		10,029	8,768	12,852	11,490
General Reserve	21	25,839	25,062	20,684	19,484
TOTAL FUNDS		66,222	63,552	64,939	61,679

The financial statements on pages 19 to 44 were approved by the Council on 27 November 2012 and signed on its behalf on that date by:


 Lord Curry of Kirkharle
 Chairman


 Mr C J Perrin CBE
 Honorary Treasurer


 Professor Stuart Reid
 Principal

CASH FLOW STATEMENT
for the year ended 31 July 2012

		Year ended 31 July 2012	Year ended 31 July 2011
	Note	Consolidated £000	Consolidated £000
Net cash inflow from operating activities	22	9,089	6,821
Returns on investments and servicing of finance	23	(1,007)	(934)
Capital expenditure and financial investment	24	(3,600)	(20,284)
Cash inflow/(outflow) before liquid resources and financing		4,482	(14,397)
Management of liquid resources – short-term deposits		(11,237)	14,042
Financing	25	(45)	(295)
INCREASE/(DECREASE) IN CASH IN THE YEAR		(6,800)	(650)

RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 July 2012	Year ended 31 July 2011
	Consolidated £000	Consolidated £000
Increase/(decrease) in cash in the period	(6,800)	(650)
Change in short term deposits	11,237	(14,042)
Change in debt	373	295
New loans	(328)	-
Change in debt	4,482	(14,397)
Net funds at 1 August	(14,396)	1
NET (DEBT) AT 31 JULY	(9,914)	(14,396)

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 July 2012

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. The financial statements are prepared in accordance with historical cost convention modified by the revaluation of certain fixed assets.

2. GOING CONCERN

The College's activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review. The financial position of the College, its cash flows, liquidity position and borrowing facilities are also described in the Operating and Financial Review. The College has considerable financial resources. As a consequence, the College Council believe that the College is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. BASIS OF CONSOLIDATION

The financial statements consolidate the results of the College and the Animal Care Trust, a separate registered charity, The London Bioscience Innovation Centre Limited, RVC Developments Limited and Royal Veterinary College (Hong Kong) Limited. The subsidiaries have the same year end as the College. The consolidated financial statements do not include those of the Student Union Society because the College does not control those activities, nor do they include those of Quy Biosciences Limited as the results of the company are considered immaterial.

4. RECOGNITION OF INCOME

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 students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from 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 such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic 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 or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet. Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2012

5. TAXATION STATUS

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT in relation to tangible fixed assets is included in their cost.

6. LAND AND BUILDINGS

Land and buildings are stated at historical cost. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

6(a) Depreciation

Freehold land is not depreciated. Buildings are depreciated over their expected useful economic lives to the College of between 20 and 25 years on the amount at which the tangible fixed asset is included in the balance sheet. No depreciation is charged on assets in the course of construction.

6(b) 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 College has a planned maintenance programme, which is reviewed on an annual basis.

6(c) Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £5,000 have been capitalised and recognised, based on valuations carried out by specialist valuers. Heritage assets are not depreciated since their long economic life and high residual value mean any depreciation would not be material. The historic library collection was valued, independently, in 2011 by Mr Norman Comben, an expert on antiquarian veterinary books, prints and ephemera.

Works of art classified as Heritage Assets are formally revalued every 3 years. All other classes of Heritage Asset, which are less material in value, are reviewed periodically, not more than 5 years from the previous review, to determine whether a formal revaluation is required.

7. EQUIPMENT

Equipment and furniture costing less than £5,000 per individual item and which is not part of a bigger piece of equipment, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All assets are depreciated over their useful economic lives to the College of between 3 and 7 years.

Where equipment is acquired with the aid of specific grants or donations, it is capitalised and depreciated as above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

8. INVESTMENTS

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value.

9. STOCK

The stock comprises stores held by clinics, farm livestock, produce and consumables. The farm stocks are professionally valued; other stocks are stated at the lower of their cost and net realisable value.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2012

10. CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases and 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.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits but exclude any such assets held as endowment asset investments.

11. FOREIGN CURRENCY TRANSLATIONS

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. 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.

12. ACCOUNTING FOR RESEARCH AND DEVELOPMENT

Expenditure on pure and applied research is treated as part of the continuing activities of the College. Expenditure on development activities is carried forward and amortised over the period expected to benefit where there is a clearly defined project, the related expenditure is separately identifiable and the outcome of the project has been assessed to be reasonably certain.

13. INTRA-GROUP TRANSACTIONS

Gains and 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.

14. ACCOUNTING FOR CHARITABLE DONATIONS

14(a) Unrestricted donations

Charitable donations are recognised in the accounts 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.

14(b) Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the benefit of the institution.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

14(c) 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.

15. ACCOUNTING FOR RETIREMENT BENEFITS

The College contributes to the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both schemes are defined benefit schemes and because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. In accordance with FRS 17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2012

16. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the financial statements when the College 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.

Contingent liabilities are disclosed by way of 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; an inability to measure the economic outflow.

NOTES TO THE ACCOUNTS
for the year ended 31 July 2012

		Year ended 31 July 2012	Year ended 31 July 2011
		Consolidated £000	Consolidated £000
	Note		
1. FUNDING BODY GRANTS – HEFCE			
Recurrent grants		24,805	25,824
Specific grants			
Higher Education Innovation Fund		820	739
Lifelong Learning Network		-	94
Economic Challenge Investment Fund		-	70
Deferred Capital Grants released in year:			
Buildings	20	1,001	920
Equipment	20	149	192
		26,775	27,839
2. TUITION FEES AND EDUCATION CONTRACTS			
Home and EU students			
Full time undergraduate		4,465	4,293
Full time postgraduate		748	768
Part time undergraduate		43	37
Part time postgraduate		82	71
Overseas (non EU) students			
Overseas students		3,895	3,172
Sub-Total HE course fees		9,233	8,341
Research training support grants		51	46
Short Course Fees		769	582
		10,053	8,969
3. RESEARCH GRANTS AND CONTRACTS			
Research councils		6,031	3,141
UK based charities		2,446	2,364
UK central government, local, health and hospital authorities		1,800	2,814
UK industry, commerce, public corporations		1,955	2,069
EU government bodies		492	861
EU other		907	699
Other overseas		680	421
Other		14	25
		14,325	12,394
4. OTHER INCOME			
Residences, catering and conference		2,055	1,661
Clinical and related earnings		16,225	15,396
Release from deferred capital grant	20	1,084	1,046
Rent and other income		396	110
Donations, gifts and legacies received		569	684
		20,329	18,897
5. ENDOWMENT AND INVESTMENT INCOME			
Income from expendable endowments	19	70	57
Income from permanent endowments	19	260	271
Income from short-term investments		88	171
		418	499

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

		Year ended 31 July 2012	Year ended 31 July 2011
		Consolidated £000	Consolidated £000
6. STAFF COSTS			
Wages and salaries		30,972	30,700
Social security costs		2,169	2,342
Pension costs	31	3,423	3,549
Restructuring and redundancy costs		-	64
		36,564	36,655
Non-recurrent severance payments		-	1,739
		36,564	38,394

Emoluments of the Principal: Professor Q McKellar (1 Aug 2010-31 Dec 2010)			5 months
Salary			97
USS Pension Contributions			13
Benefit in kind			8
			118

Emoluments of the Principal: Professor S Reid (from 1 Jan 2011 to current)		12 months	7 months
Salary		237	137
USS Pension Contributions		34	20
Benefit in kind		-	-
		271	157

The College's pension contribution for the Principal is paid at the same rate as for other academic staff.

Remuneration of other higher paid staff, excluding employers' pension contributions:

	Number	Number
£100,001 to £110,000	6	9
£110,001 to £120,000	4	1
£120,001 to £130,000	1	4
£130,001 to £140,000	2	4
£140,001 to £150,000	3	1
£160,001 to £170,000	2	1
£170,001 to £180,000	-	1
	18	21

	Number	Number
Average staff numbers by major category:		
Teaching and Research Departments	329	322
Academic Support Services	83	82
Administration and Central Services	59	70
Premises	83	95
Clinical and related services	242	242
	796	810

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2012

	Year ended 31 July 2012	Year ended 31 July 2011
	Consolidated £000	Consolidated £000
7. INTEREST AND OTHER FINANCE COSTS		
Interest on bank loans not wholly repayable within 5 years	1,425	1,433

8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY		
Academic departments	15,749	17,687
Academic services	5,373	4,555
Research grants and contracts	10,898	10,254
Residences and catering	1,842	1,886
Premises and maintenance	10,637	9,156
Administration	7,858	6,219
Clinical and other services – College	15,057	15,546
Clinical and other services – Subsidiaries	2,308	2,921
	69,722	68,224

9. OTHER OPERATING EXPENSES		
Catering provisions	518	579
Consumables and laboratory expenses	5,094	5,541
Stationery and publications	1,428	1,035
Student and educational expenditure	3,729	3,816
Rent, rates, cleaning and insurance	1,607	1,658
Electricity, gas, oil and water	1,586	1,585
Small equipment and repairs	2,588	1,739
Minor works and maintenance	1,409	1,075
External auditors' remuneration – audit services	50	65
External auditors' remuneration – non-audit services	14	54
Internal audit	58	56
Legal and other outside consultancy	2,661	3,132
Travelling subsistence	2,114	1,710
Telephone, fax and postage	415	517
Miscellaneous expenses	3,324	1,594
	26,595	24,156

*Included in audit services is the external audit fee for the College of £36,023 (2011: £34,804)

The total expenses paid to or on behalf of 10 trustees was £2,133 (2011: £2,511 to 10 trustees).

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

10. FIXED ASSET INVESTMENTS	Year ended 31 July 2012		Year ended 31 July 2011	
	Consolidated £000	College £000	Consolidated £000	College £000
Opening Balance as at 1 August				
Subsidiary Companies	-	142	-	100
UK Equities	114	-	78	-
Additions	18	-	36	42
Closing Balance as at 31 July				
Subsidiary Companies	-	142	-	142
UK Equities	132	-	114	-

The College's subsidiaries and its percentage shareholding in each are as follows:

	Nature of Business	Country of Registration	Shareholding	No. of Shares
			£1 Ord Shares	
London BioScience Innovation Centre Limited	Establishment and operation of biotechnology innovation centre	England and Wales	100%	100,000
RVC Developments Ltd	Provision of Construction Services	England and Wales	100%	2
Royal Veterinary College (Hong Kong) Limited	Education	Hong Kong	100%	2
			£0.01 Ord Shares	
Quy Biosciences Limited (formerly Medcell Biosciences Limited)	Stem Cell Technology	England and Wales	2.92%	3,990,000
Tecrea Limited	Cell Delivery Technology	England and Wales	20%	20

The College consolidated the results of the Animal Care Trust.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2012

11. TANGIBLE FIXED ASSETS

Consolidated	Freehold Properties	Furniture and Equipment	Assets in the course of construction	Heritage Assets	Total
	£000	£000	£000	£000	£000
COST					
At 1 August 2011	85,119	3,623	16,168	3,607	108,517
Additions	55	649	3,873	-	4,577
Transfers	19,098	639	(19,737)	-	-
At 31 July 2012	104,272	4,911	304	3,607	113,094
DEPRECIATION					
At 1 August 2011	(27,205)	(1,812)	-	-	(29,017)
Charge in the year	(4,132)	(1,006)	-	-	(5,138)
At 31 July 2012	(31,337)	(2,818)	-	-	(34,155)
Net Book Value at 31 July 2012	72,935	2,093	304	3,607	78,939
Net Book Value at 31 July 2011	57,914	1,811	16,168	3,607	79,500
College					
COST					
At 1 August 2011	81,550	3,558	16,168	3,607	104,883
Additions	55	649	3,984	-	4,688
Transfers	19,209	639	(19,848)	-	-
At 31 July 2012	100,814	4,846	304	3,607	109,571
DEPRECIATION					
At 1 August 2011	(25,169)	(1,764)	-	-	(26,933)
Charge for the year	(3,975)	(998)	-	-	(4,973)
At 31 July 2012	(29,144)	(2,762)	-	-	(31,906)
Net Book Value at 31 July 2012	71,670	2,084	304	3,607	77,665
Net Book Value at 31 July 2011	56,381	1,794	16,168	3,607	77,950

Included in the above are assets with a net book value of £30,352,000 (2011: £31,403,000) funded by capital grants (note 19).

Assets in the course of construction once capitalised and subsequently added to Freehold properties will be depreciated over specific life periods. Only at point of completion, will the assets in the course of construction be re-classified.

Heritage assets are held for their contribution to knowledge and culture. The assets recognised as such are principally works of art and illustrations of the racehorse Eclipse (the post-mortem examination of Eclipse in 1789 was in effect the beginning of the veterinary profession in the UK) and a collection of historic veterinary books and articles dating from the 18th Century. Works of art are stated at their insurance valuation. These assets are formally re-valued every 3 years. The most recent valuation was undertaken for the year ended 31 July 2011.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

	Year ended 31 July 2012		Year ended 31 July 2011	
	Consolidated £000	College £000	Consolidated £000	College £000
12. ENDOWMENT ASSET INVESTMENT				
Historical Cost at 1 August	11,128	7,096	11,972	7,355
Market Value Adjustment at 1 August	1,724	4,394	1,078	3,741
Market Value at 1 August	12,852	11,490	13,050	11,096
Additions	9,101	9,101	-	-
Disposals	(8,343)	(8,343)	-	-
Transfer to Reserves	(2,605)	(2,605)	-	-
Market Value Adjustment	(112)	(110)	646	653
Cash Movement	(864)	(765)	(844)	(259)
Market Value at 31 July	10,029	8,768	12,852	11,490
Represented by:				
Fixed Interest Funds	3,215	2,487	2,391	2,320
UK Equities	3,801	3,801	4,544	4,544
Overseas Equities	2,480	2,480	2,002	2,002
Cash at Bank	533	-	3,915	2,624
Total endowment assets	10,029	8,768	12,852	11,490
13. STOCK				
Consumables	582	572	391	379
Farm Stocks	230	230	292	292
	812	802	683	671
14. DEBTORS				
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade Debtors	3,462	3,160	2,366	2,211
Research grant debtors	1,810	1,810	1,910	1,910
Subsidiary companies	-	2,528	-	649
Taxes receivable	185	-	821	110
Other debtors	55	55	64	64
Prepaid expenses and accrued income	465	373	1,511	2,086
Sub total	5,977	7,926	6,672	7,030
AMOUNTS FALLING DUE AFTER ONE YEAR:				
Subsidiaries	-	1,377	-	1,100
	5,977	9,303	6,672	8,130

The total debt with The London Bioscience Innovation Centre Ltd comprises a loan of £2,589,000 (2011: £2,774,000), less a provision made of £1,620,000 (2011: £2,046,000). The loan is not expected to be repaid until 2024.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

	Year ended 31 July 2012		Year ended 31 July 2011	
	Consolidated £000	College £000	Consolidated £000	College £000
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Unsecured loans	416	416	271	271
Trade creditors	2,446	4,326	2,168	890
Amounts owed to subsidiary undertakings	-	1,387	-	-
Research grants creditors	8,189	8,189	9,253	9,253
Social Security and other taxation payable	1,631	1,586	1,164	1,007
Other creditors	732	732	519	519
Accruals and deferred income	3,621	2,309	3,506	7,342
	17,035	18,945	16,881	19,282

16. PROVISIONS FOR LIABILITIES AND CHARGES

Balance at 1 August	-	-	-	-
Additions	2,601	2,601	-	-
Utilised	-	-	-	-
Released to income and expenditure account	-	-	-	-
Balance at 31 July	2,601	2,601	-	-

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Analysis of unsecured loans:

Due within 1 year	416	416	271	271
Due between 1 and 2 years	1,081	1,081	334	334
Due between 2 and 5 years	3,919	3,919	2,354	2,354
Due in 5 or more years	19,211	19,211	21,680	21,680
	24,627	24,627	24,639	24,639
Due within 1 year	(416)	(416)	(271)	(271)
Due after more than one year	24,211	24,211	24,368	24,368
Unsecured loans	24,211	24,211	24,368	24,368

	Amount £000	Term	Interest Rate %
Included in the loans are the following:			
Lender			
Royal Bank of Scotland	1,847	Jan 2026	5.64
Royal Bank of Scotland	1,886	Jan 2026	5.64
Royal Bank of Scotland	2,590	Mar 2024	5.24
Royal Bank of Scotland	18,000	Nov 2034	5.88
Salix	166	Sep 2015	-
HEFCE (Revolving Green Fund)	138	May 2015	-
	24,627		

All loans are in the name of the College.

18. SHORT TERM DEPOSITS AND CASH

On consolidation, £1,262,050 (2011: £1,361,815) 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.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

19. ENDOWMENTS	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
Consolidated						
Balances as at 1 August 2011						
Capital	1,998	4,167	6,165	8,332	14,497	12,831
Accumulated income	1,340	2,169	3,509	(5,154)	(1,645)	219
	3,338	6,336	9,674	3,178	12,852	13,050
New endowments	-	21	21	421	442	1,020
Investment income	98	162	260	70	330	328
Expenditure	(98)	(115)	(213)	(488)	(702)	(757)
	-	47	47	(418)	(372)	(429)
Transfers between funds	(2,279)	-	(2,279)	(326)	(2,605)	-
(Decrease)/increase in market value of investments	(28)	(54)	(82)	(29)	(111)	646
Transfers to deferred capital grants	-	(55)	(55)	(122)	(177)	(1,435)
At 31 July 2012	1,031	6,295	7,326	2,703	10,029	12,852
Represented by:						
Capital	449	4,188	4,637	8,427	13,064	14,497
Accumulated income	582	2,107	2,689	(5,724)	(3,035)	(1,645)
	1,031	6,295	7,326	2,703	10,029	12,852
College						
Balances as at 1 August 2011						
Capital	2,090	3,969	6,059	2,136	8,195	7,355
Accumulated income	1,340	2,238	3,578	(283)	3,295	3,741
	3,430	6,207	9,637	1,853	11,490	11,096
New endowments	-	-	-	34	34	187
Investment income	98	161	259	61	320	314
Expenditure	(98)	(113)	(211)	(75)	(286)	(415)
	-	48	48	(14)	34	(101)
Transfers between funds	(2,279)	-	(2,279)	(326)	(2,605)	-
(Decrease)/increase in market value of investments	(28)	(53)	(81)	(29)	(110)	653
Transfers to deferred capital grants	-	(55)	(55)	(20)	(75)	(345)
At 31 July 2012	1,123	6,147	7,270	1,498	8,768	11,490
Represented by:						
Capital	513	3,916	4,429	1,816	6,245	8,195
Accumulated income	610	2,231	2,841	(318)	2,523	3,295
	1,123	6,147	7,270	1,498	8,768	11,490

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

19. ENDOWMENTS (continued)

During the year an exercise was undertaken to establish more fully the elements of certain endowment funds held, based on new evidence which became available. As a result of this review, £2,605,000 of historic legacy funds were reclassified as unrestricted and were transferred to general reserves. A further £326,000 was reclassified from Restricted Expendable to Unrestricted Permanent.

The most significant funds by value:

Fund name	Purpose/restrictions	Balance at 1 August 2011 £000	Movement in year £000	Balance at 31 July 2012 £000
Accumulated Legacies	Unrestricted	2,605	(2,605)	-
Mellon	Equine research	2,613	329	2,942
Beaumont Animal Hospital	Enhancement of Beaumont Sainsbury Animal Hospital facilities	1,545	(52)	1,493
Bastable scholarship	Undergraduate student merit scholarships	1,086	257	1,343

20. DEFERRED CAPITAL GRANT

	Funding Council £000	Other Donors £000	2012 Total £000	2011 Total £000
Consolidated				
At 1 August				
Buildings	18,463	11,914	30,377	28,741
Equipment	588	438	1,026	1,331
Total	19,051	12,352	31,403	30,072
Cash receivable				
Buildings	592	469	1,061	3,352
Equipment	-	124	124	137
Total	592	593	1,185	3,489
Released to income and expenditure account				
Buildings	(1,001)	(886)	(1,887)	(1,714)
Equipment	(149)	(198)	(347)	(444)
Total	(1,150)	(1,084)	(2,234)	(2,158)
At 31 July				
Buildings	18,054	11,497	29,551	30,379
Equipment	439	364	803	1,024
Total	18,493	11,861	30,354	31,403

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

20. DEFERRED CAPITAL GRANT (continued)

	Funding Council £000	Other Donors £000	2012 Total £000	2011 Total £000
College				
At 1 August				
Buildings	18,463	11,217	29,680	27,973
Equipment	588	437	1,025	1,332
Total	19,051	11,654	30,705	29,305
Cash receivable				
Buildings	592	465	1,057	3,352
Equipment	-	124	124	137
Total	592	589	1,181	3,489
Released to income and expenditure account				
Buildings	(1,001)	(816)	(1,817)	(1,645)
Equipment	(149)	(198)	(347)	(444)
Total	(1,150)	(1,014)	(2,164)	(2,089)
At 31 July				
Buildings	18,054	10,866	28,920	29,680
Equipment	439	363	802	1,025
Total	18,493	11,229	29,722	30,705

21. RESERVES

	Year ended 31 July 2012		Year ended 31 July 2011	
	Consolidated £000	College £000	Consolidated £000	College £000
Income and expenditure reserve				
At 1 August	20,684	19,484	19,905	18,613
Write back of subsidiary loan	-	427	-	-
Transfers from endowments	2,605	2,605	-	-
Surplus/(Deficit) retained for the year	2,550	2,546	779	871
At 31 July	25,839	25,062	20,684	19,484

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

22. RECONCILIATION OF SURPLUS/(DEFICIT) BEFORE TAX AND PROFIT ON DISPOSAL OF ASSETS TO NET CASH FLOW FROM OPERATIONS

	Note	Year ended 31 July 2012 Consolidated £000	Year ended 31 July 2011 Consolidated £000
Surplus/(Deficit) after depreciation of tangible fixed assets at valuation and before tax		2,178	350
Depreciation	11	5,138	4,265
Deferred capital grants released to income	20	(2,235)	(2,158)
Investment income	5	(88)	(499)
Interest payable	7	1,425	1,433
(Increase) in stocks	13	(129)	(51)
Decrease / (Increase) in debtors		695	(1,100)
Increase in creditors	15	(496)	4,581
Increase in provisions		2,601	-
Net cash inflow from operating activities		9,089	6,821

23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Income from endowments	5	330	328
Other interest received	5	88	171
Interest paid	7	(1,425)	(1,433)
		(1,007)	(934)

24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments made to acquire fixed assets	11	(4,469)	(23,322)
Payment for endowment assets	12	(9,101)	-
Total fixed and endowment assets acquired		(13,570)	(23,322)
Proceeds from sales of endowment assets	12	8,343	-
Deferred capital grants received	20	1,185	2,054
New endowments received	19	442	1,020
Net cash (outflow) for capital expenditure and financial investment		(3,600)	(20,248)

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2012

25. FINANCING

	Year ended 31 July 2012 Consolidated £000	Year ended 31 July 2011 Consolidated £000
New loans	328	-
Repayments of amounts borrowed	(373)	(295)
	(45)	(295)

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2011 £000	Cash Flows £000	Non-Cash Changes £000	At 31 July 2012 £000
Cash at bank and in hand:				
Endowments	3,915	(3,382)	-	533
Other	5,201	(3,424)	-	1,777
	9,116	(6,806)	-	2,310
Short-term investments	1,166	11,237		12,403
Debts due within one year	(271)	271	(416)	(416)
Debts due after one year	(24,368)	(259)	416	(24,211)
	(14,357)	4,443	-	(9,914)

27. CAPITAL COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2012:

	Year ended 31 July 2012 Consolidated £000	College £000	Year ended 31 July 2011 Consolidated £000	College £000
Commitments contracted for	854	854	3,492	3,492
Authorised but not contracted for	450	450	-	-
	1,304	1,304	3,492	3,492

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

28. AMOUNTS DISBURSED AS AGENT

	Year ended 31 July 2012		Year ended 31 July 2011	
	£000	£000	£000	£000
Hardship funds				
Income				
Fund balance at 1 August	(10)		(10)	
Funding Council grants	38		37	
Interest earned	-		-	
Total Income		28		27
Expenditure				
Disbursed to students	(38)		(37)	
Funding running costs	-		-	
Total expenditure		(38)		(37)
Fund balance at 31 July		(10)		(10)

Funding Council Grants are available solely to assist students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

29. DISCLOSURE OF RELATED PARTY TRANSACTIONS

The College has taken advantage of the exemption conferred by Financial Reporting Standard No.8 'Related Party Disclosures', not to disclose transactions with related parties which are eliminated on consolidation. A related party relationship exists between the College and Immexis. The College has 23% shareholding in Immexis. The company is dormant and therefore there were no financial transactions during the year; there are no outstanding amounts due between the parties.

The College has a 2.92% shareholding in Quy Biosciences Limited.

30. SUBSIDIARY UNDERTAKINGS AND TAX STATUS

London BioScience Innovation Centre Limited (company number 04013123) is a wholly owned subsidiary company registered in England and Wales. Its main business is to facilitate Biotechnology start up companies. VAT is reclaimable as part of the College VAT group. VAT is reclaimed on a quarterly basis, October, January, April and July. The company has agreed to remit any taxable profits to the College under the Gift Aid scheme.

RVC Developments Limited (company number 07114564) is a wholly owned subsidiary company registered in England and Wales. Its main business is the provision of construction services. VAT was reclaimable on a quarterly basis until August 2011. Thereafter, VAT is reclaimable on a monthly basis. RVC Developments Limited is not part of the RVC VAT group. The company has agreed to remit any taxable profits to the College under the Gift Aid scheme.

The Royal Veterinary College Animal Care Trust (charity 281571), for which the College is the sole Trustee, operates to support the College's activities. The charity is not registered for VAT.

Royal Veterinary College (Hong Kong) Limited (Company Number 1337151) is a wholly owned subsidiary company registered in Hong Kong. Its main business is to facilitate educational activities. The company is subject to applicable taxes in accordance with Hong Kong law.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

31. 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).

The total pensions cost for the College and its subsidiaries were:

	2012	2011
	£000	£000
USS contribution paid	2,523	2,639
SAUL contribution paid	900	909
Other pension payment	-	1
Total Consolidated Pension Costs (Note 6)	3,423	3,549
USS premature retirement payments included in restructuring costs in note 6	-	163

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which 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 appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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 institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carried out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA (light) YoB tables – No Age Rating
Female members' mortality	S1NA (light) YoB tables – Rated down 1 year

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2012

31. PENSION SCHEMES (continued)

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation the trustees have determined after consultation with the employers, a recovery plan to pay the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience at that date is in line with the assumptions made for this current valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increase was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following the UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal Pension Age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5%p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

31. PENSION SCHEMES (continued)

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitments. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.5%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

31. PENSION SCHEMES (continued)

of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the institution had 340 active members participating in the scheme.

The total pension cost for the institution was £2,523,000 (2011: £2,639,000). The contribution rate payable by the institution was 16% of pensionable salaries.

SAUL

The institution participates in the Superannuation Arrangements of the University of London "(SAUL)", which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, 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. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

The institution participates in the Superannuation Arrangements of the University of London (SAUL), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, SAUL Trustee Company.

The institution participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The institution has now adopted FRS17 for accounting for pension costs. It is not possible to identify the institution's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

Assumption	31 March 2011
Discount Rate -pre retirement -Post retirement	6.80% p.a. 4.70%p.a.
General Salary Increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail prices Inflation	3.50% p.a.
Consumer price Inflation	2.80% p.a.
Pension Increases in payment (excess over GMP)	2.80 p.a.
Mortality- base table	SAPS Normal (year of birth) tables with an age rating of +0.5years for males and -.04 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2012

31. PENSION SCHEMES (continued)

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The Royal Veterinary College
UNAUDITED CONSOLIDATED FINANCIAL SUMMARIES

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
INCOME & EXPENDITURE ACCOUNT					
INCOME					
Funding body grants	26,775	27,839	29,635	29,420	26,614
Tuition fees and education contracts	10,053	8,969	8,257	6,570	5,623
Research grants and contracts	14,325	12,394	8,820	9,998	8,495
Other income	20,329	18,897	18,714	16,357	15,094
Endowment and investment income	418	499	406	296	2,524
TOTAL INCOME	71,900	68,598	65,832	62,641	58,350
EXPENDITURE					
Staff costs	36,564	38,394	38,243	35,335	31,971
Other operating expenses	26,595	24,156	24,276	22,043	22,163
Depreciation	5,138	4,265	4,227	3,930	3,308
Interest and other finance costs	1,425	1,433	898	476	492
TOTAL EXPENDITURE	69,722	68,248	67,644	61,784	57,934
Surplus/(Deficit) after depreciation of tangible assets at valuation and after tax	2,178	350	(1,812)	857	416
Profit on Disposal of Assets	-	-	-	-	-
Surplus/(Deficit) before transfer to specific endowments	2,178	350	(1,812)	857	416
Transfer from/(to) specific endowments	372	429	626	154	(1,291)
SURPLUS/(DEFICIT) RETAINED WITHIN GENERAL RESERVES	2,550	779	(1,186)	1,011	(875)
BALANCE SHEET					
Fixed asset and investments	79,071	79,614	60,464	54,749	51,707
Endowment assets investments	10,029	12,852	13,050	11,288	11,924
Cash at bank and in hand and short term deposits	14,180	6,367	20,180	7,222	9,780
Net non cash current liabilities	(12,847)	(9,526)	(6,025)	(7,229)	(7,712)
Long term loans, creditors and provisions	(24,211)	(24,368)	(24,642)	(6,940)	(7,962)
TOTAL NET ASSETS	66,222	64,939	63,027	59,090	57,737
Deferred capital grants	30,354	31,403	30,072	26,711	27,692
Endowment funds	10,029	12,852	13,050	11,288	11,924
Retained earnings	25,839	20,684	19,905	21,091	18,121
TOTAL FUNDS	66,222	64,939	63,027	59,090	57,737