

Registered Company Number 99168
Charity Registered Number 311780

The Royal Agricultural College
Annual report and financial statements
for the year ended 31 July 2011

The Royal Agricultural College

Annual report and financial statements for the year ended 31 July 2011

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Governors' report

Principal address and Registered Office

The Royal Agricultural College
Cirencester
Gloucestershire
England
GL7 6JS

Principal Officers

Principal
Vice Principal
Director of Finance and
Administration

Prof Chris J Gaskell
Prof William P Davies
Mrs Theresa M Chapman

Investment Managers

Cazenove Fund Management Limited
3 Copthall Avenue
London
EC2R 7BH

Bankers

Lloyds TSB Bank plc
14 Castle Street
Cirencester
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GL7 1QJ

Solicitors

Manches LLP
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Oxford Business Park
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OX4 2HN

Eversheds LLP
1 Wood Street
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Registered auditors

BDO LLP
Emerald House
Epsom, Surrey
KT17 1HS

Principles

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

Legal Status

The College was incorporated by Royal Charter in 1845 and was registered under the Charities Act (charity number 311780). The College is also a limited company (registered number 99168); the word "limited" being omitted by licence of the Board of Trade. For ease of use the limited company is described as "the College" throughout these statements.

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The Governing Council

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

Planning and Resources Committee

This is the main sub-committee of the Governing Council and is equivalent to Finance and General Purposes Committee. Since January 2009 this Committee has been a joint committee of the Governors and College Executive with five independent Governor members, the three members of the College Senior Executive (the Principal, Vice Principal, Director of Finance) and two Senior Academics currently represented by the Dean of the School of Business and the Head of Academic Quality and Standards. The Committee meets three times per year. The Governing Council delegates many of its operational powers to this committee.

The Audit Committee

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

The Principal

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

Register of Interests

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

The Governing Council

The composition of the Governing Council is shown below. Staff and Student representatives are neither Directors of the Limited Company nor Trustees of the registered charity.

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Independent Governors, Charity Trustees & Directors of the Limited Company

The Earl Bathurst*(the former Lord Apsley)	Mr Jeremy Moody
Prof Patricia Broadfoot (elected Dec 2010)	Mr Philip Moody
Mr Anthony Colburn	Mrs Karen Morgan (Vice Chairman until Dec 10)
Prof Colin Dennis	Prof Chris Mullard
Miss Caroline Drummond	Mr Chris Musgrave
Prof Richard Ellis	Prof Michael Osbaldeston
Mr Brian Hilton (takes over as Chairman from 1 Dec 11)	Mr Colin Pett
Mr Jeremy Lewis	Mr Simon Pott (Chairman until 30 Nov 11)
Mr Richard Macdonald	Mr Julian Sayers (Vice Chairman from Dec 10)

* The Lord Apsley acceded to the title The Earl Bathurst on 16 October 2011.

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

Mr David Slack (elected July 2011)

Vice President

The former Vice President, Sir Michael Angus, died March 2010 and will be succeeded by Mr S Pott from December 2011 when he stands down as Chairman of Governors.

Staff Representatives

Mr Chris Brough	Mr David Lewis
Mr Philip Wood (resigned Feb 11)	Mr Benedict Greenhalgh (elected Feb 11)

Student Union Representatives

Miss Jessica Crofts	Mr Nicholas Pain
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Officers

Prof Chris J Gaskell (Principal)

Prof William P Davies (Vice Principal)

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

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Governors' interests in shares of the College

The interests in the issued share capital of the College by Governors at 31 July 2011 and 2010 were:

	2011	2010		2011	2010
Lord Apsley	1	1	Mr Philip Moody	1	1
Mr Anthony Colburn	1	1	Mrs Karen Morgan	1	1
Prof Colin Dennis	1	-	Prof Chris Mullard	1	1
Miss Caroline Drummond	1	1	Mr Chris Musgrave	1	-
Prof Richard Ellis	1	1	Prof Michael Osbaldeston	1	-
Mr Brian Hilton	1	1	Mr Colin Pett	1	-
Mr Jeremy Lewis	1	1	Mr Simon Pott	3	3
Mr Richard Macdonald	1	-	Mr Julian Sayers	1	1
Mr Jeremy Moody	1	-	Total (out of 120)	19	13

In addition, Prof Chris Gaskell (Principal) held 6 shares at 31 July 2011.

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

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

Statement of the Governing Council's responsibilities

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

Company law requires the Governors to prepare financial statements for each financial year. Under that law the Governors have elected to prepare the group and company financial statements in accordance with United Kingdom "Generally Accepted Accounting Practice" (United Kingdom Accounting Standards and applicable law). Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group and company for that period.

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

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

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The Directors, who are also the Trustees and Governors of the College, are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition the Governing Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- secure the economic, efficient and effective management of the College's resources and expenditure;
- comply with the guidance to institutions of higher education published by the Committee of College Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland (2004), known as the CUC Governance Code of Practice.

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

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

Articles of Association and Mission Statement

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

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

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The prime beneficiaries of the “advancement of education and learning” are the students, both undergraduate and postgraduate, the industries which the College serves that employ them and the wider public that benefit from the activities of those industries. More detail is given in the section on Public Benefit reporting and the KPIs showing high student employment year on year.

Strategic Aims

The 2010/14 corporate plan states that the College pursues its mission with the following aims:

- To provide innovative and challenging programmes, delivered through differing means, in a stimulating learning environment internally and externally to the College, at foundation degree, undergraduate and postgraduate levels, that meet the needs of industry and across society;
- To develop a research and consultancy capacity at strategic, applied and translational levels for the benefit of businesses and organisations nationally and internationally, and which supports the educational activities of the College;
- To exchange knowledge widely with peers, clients, the industries we serve, decision makers, and the general public, and in particular to businesses in the region, through professional development and business support activities;
- To develop profitable commercial activities that promote the educational activities of the College, and which provide additional income for the College;
- To build on the legacy of philanthropic support for the work of the College;
- To attract, develop and retain the best employees, treat them justly and equally, support and encourage them to achieve their maximum capabilities, and reward them fairly for their work;
- To provide outstanding facilities to support and enhance the academic, student experience and commercial aims of the College, and to manage the resources efficiently and effectively;
- To manage a profitable and sustainable College business using effective financial processes which are rigorous and compliant with the College’s financial regulations;
- To manage the developments of the College in an environmentally friendly and sustainable manner;
- To continue to develop the reputation of the College regionally, nationally, and internationally through the excellence of its activities.

The College will continue to develop key performance indicators (KPIs) for its strategic aims to assist the Executive and Governors in their management, leadership and governance responsibilities.

Inclusivity Equality and Diversity

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

Most of 2010/11 has been focussed on developing and working on the College Equality Scheme and Action Plan – and in particular incorporating and implementing the regulations from the Equality Act 2010. The work done by the Inclusivity Equality and Diversity (IED) Committee in this area went a long way towards the College being awarded Investors in People (IIP) status in April 2011.

The monitoring of the action plan is an on-going process and the Governors and Management will continue to ensure that the College remains a socially inclusive institution.

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Contextual Background

The College is a registered charity that operates as a small specialist University College providing Higher Education relating to industries and professions in the rural economy and food chain. The College has been a charity since June 1964. It has provided taught courses at degree level since 1984, and achieved degree-awarding powers in 1995. It remained in the private sector from its inception in 1845 until 2001, when it became publicly funded through the Higher Education Funding Council for England (HEFCE).

Public Benefit Reporting

The Governors of the College (Trustees) and its Senior Management are cognisant of the Charity Commission Guidance on "The Advancement of Education for Public Benefit". Both the degree and vocational courses provided by the College deliver educational merit and value. The College provides a particular contribution to a diverse higher education sector in the UK, the public value of which should be judged through its contribution to the needs of society and an important sector of UK economy. Public benefit is also provided by the College's particular learning environment, the international dimension to its activities, and the achievements of its students and alumni. The College intends that the useful knowledge acquired from its research activities is disseminated to the public and to those able to utilise or benefit from it.

The education on offer not only enables individual development but also enriches the wider society by equipping future employees for a career in the land based and food industries and through its research into these areas. The activities of the Business Development Centre in knowledge transfer assist in raising the awareness of its subject areas.

Some recent examples of this have been (i) The Knowledge Network project funded by South West Regional Development Agency (SWRDA) and sub contracted through Business Link and the University of Plymouth to offer knowledge support to rural businesses in the South West (ii) South West Rural Update, which continued to flourish, with a growing network of 700 members across the South West (iii) Heritage Lottery Fund (HLF) programme for the Prince's Trust.

The College is one of three land-based higher education so-called 'monotechnics', and, as such, was included in HEFCE's Review of Provision for Land-based Studies that reported in 2007. The Review recognised that the monotechnic Higher Education Institutions (HEIs) are strategic providers and that the issues addressed by the sector, including food production and security, and those relating to care of critical natural resources and the environment, are of the utmost importance to society.

The outcome of HEFCE's Review of Exceptional Funding for Institutions concluded in January 2009 that the College provides additional public value through the provision of specialist training in areas of national importance; that there are additional costs associated with this provision, particularly the upkeep of the farms, that cannot be met from other sources.

Financial barriers to students accessing the education the College provides are mitigated by the generous provision of bursaries and College activities under the widening participation agenda as detailed below. Physical barriers, such as an inaccessible campus, are being addressed through the design of new buildings; for instance the Emrys Jones Centre (opened 2011) provides lift access to the upper floors, the siting of key student support services and most lecture halls on the ground floor and the installation of ramps where permitted by planning. The listed nature of the campus does mean a few areas cannot be accessed other than by stairs.

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Widening Participation

The College is open to all students on the basis of ability and academic achievement irrespective of other factors and it ensures this by interviewing the majority of applicants and offering generous bursary schemes particularly targeted towards those from low income backgrounds who are assessed as eligible for state support. The College alerts all prospective and continuing students to the opportunities for financial support provided through HEFCE Access Funds and its own bursary and scholarship schemes advertised on its website. In 2011 it distributed £7k Access funds to students; (2010: £10k). It also facilitated bursaries through its related charity, Sir Emrys Jones Memorial Trust and awarded £404k of College funded bursaries; (2010: £409k). This includes HEBSS bursaries of £306k; (2010: £250k).

Since becoming a publicly funded body in 2001, the College has made significant steps to embrace and endorse HEFCE policy to increase and widen participation in Higher Education (HE), making continual endeavours to facilitate the embedding of widening participation initiatives throughout, and as integral to, the whole institution. Strategic planning throughout the College thus reflects and fosters a culture of widening access; one which is equal and fair, and which provides a range of opportunities and support mechanisms that encourages and welcomes a diverse student population. The College believes that this ethos should not be confined to current and prospective students. Rather, a culture of inclusive access, opportunity and support should extend prior to, during and beyond the College experience. In recognition of the responsibility that Higher Education Institutions (HEIs) have at these major transitional stages, the College's corporate and departmental strategies focus on:

- Opening access and raising awareness, aspirations and achievement in schools, colleges and in the wider community; particularly targeted at under-represented groups;
- Quality enhancement in teaching, learning, assessment and development, and in student support services and environment;
- Workforce issues contained in the Leitch Review, collaboration with employers and providing a high standard of graduate service, incorporating information, advice and guidance, and boasting a strong international network of alumni.

Management of the widening participation agenda is informed and driven by corporate culture and extends institution-wide. The central hub for widening participation (located in Registry under the management of the Registrar) is underpinned by the Widening Participation (WP) Strategic group, comprised of representatives from each School and key Departments, who have specific responsibilities to the WP agenda. The increase in such activity is clearly shown in the KPIs.

Key strategic objectives for widening participation over the three year period 2009/12 are to:

- Raise aspirations and achievement;
- Ensure support during study;
- Increase collaboration with Schools and Further Education Colleges in the target areas;
- Provide targeted promotional materials;
- Continue and develop Outreach Activity such as the Young City Farmers initiative.

Student Activity during the year: Community Engagement

The Student Volunteering Society undertook various community projects during the year. These included befriending the residents at a local nursing home, building a sensory garden at a local special needs school and supplying marshalls for the town's Advent Market.

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Through Raise and Give (RAG) the students supported two charities this year (Farm Africa and Cirencester SCOPE) and raised £22k through various fundraising activities (auction, tractor pull, rally to Newcastle); (2010: £23k). During the year the students also supported Cirencester SCOPE in a more practical way, by hosting a Family Fun Day and BBQ in March, and the families supported by this charity were invited to attend.

The Student Entrepreneur Club had a chalet at the Christmas Market in Cirencester and sold Muddy Wellies and RAG merchandise throughout the two weeks.

The newly formed Gardening Club met their objective of providing (some) vegetables for the Student Union Dinner in June and also made jam from a glut of fruit which was sold to staff/College visitors.

In 2011/12 the students' plans include

- The Volunteering Society taking on the project of tending the garden at Kemble Railway Station and joining the National Student Volunteering Society, and to get more involved in national campaigns for volunteering;
- RAG supporting three charities in 2011/12: Cotswold Care Hospice (Minchinhampton), Snowdrop Charity and Gloucester Air Ambulance;
- The student entrepreneurs supporting the Cirencester Christmas Market once more;
- The Gardening Club working towards a stall at the Farmers' Market in town and/or the provision of a veg box scheme to the local hospital and nursing homes.

Promoting Education Internationally

The College is also actively involved in promoting education in its subject areas internationally. One of its flagship ventures derives from an approach in 2002/03 to deliver degree programmes in China with local university partners.

Following considerable discussions of the type of degrees, curriculum and format a formal agreement was reached with Shandong Agricultural University (SDAU) in Taishan and the Chinese government for the College to deliver one third of a degree programme in 'Food Science, Safety and Business Management' - a four year new type of honours degree course to which the College agreed to provide contract teaching in English through modules mostly relating to food and agribusiness management. This degree programme has been a big success, and the Ministry of Education in China has since allowed an increasing number of students to be recruited. The College co-operation was recently considered by the Ministry to be in the top ten best collaborative projects in higher education in China with 95% of the first graduates going directly into employment or further study. This degree now has 606 students; the first cohort of 107 graduated in 2011.

On the basis of this success the Provincial Government of Shandong asked the University and College to develop and deliver a degree in 'Business Management' through the College of Continuing Education, which started in September 2010 with 35 students. This new programme is essentially an ordinary degree with the opportunity of further study at the College in the UK for honours subsequently, for some successful students.

The College also has strong links with China Agricultural University (CAU) in Beijing from where it recruits second year degree students (taught jointly, in English, by CAU and Wageningen University staff from the Netherlands). These students join the first and second years of the 'food supply' and 'business management' degrees at the College.

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The School of Real Estate & Land Management's Masters degree in International Real Estate includes a Hong Kong period of case study work experience. It intends to expand into other centres.

The College continues to benefit from its links with the African Fellowship Trust which, since inception in 2006, has funded 45 Fellows from sub Saharan Africa to study on the popular Masters course on International Rural Development. 10 Fellows studied at the College during 2010/11 and 3 more will be starting their studies in October 2011 but it is becoming increasingly challenging to secure fully funded sponsorships for such students. The formal teaching programme for these students is further enriched by the provision of agreed work experience and organised professional networking opportunities whilst in England. A new relationship has been developed with the University of Stellenbosch in the Western Cape, South Africa, for post-Fellowship leadership development. This exciting initiative will be funded directly by the African Fellowship Trust via grant funding from one of its major sponsors.

The College follows the careers of these students in Africa with great interest and is carrying out impact assessments of their progress. The programme is strongly supported by the South African High Commissioner who, together with the Minister for Agriculture, has attended convocation.

The School of Business's long standing International Masters in Business Administration (MBA) with Utah State University generates a small American presence on campus each year to enrich the student cultural experience. The College is in discussion with an Italian University as a potential base for the European MBA when the current agreement with the Universities of Larenstein and Wageningen expires in 2013.

Financial Report on Operating Results

The College is pleased to report a surplus after depreciation and Financial Reporting Standard 17 (FRS 17) for the year of £1,185k (2010: surplus of £281k).

HEFCE Grants, in particular the HEFCE Recurrent Grant of £4,218k (2010: £4,686k), form a significant element of College income amounting to 33% of consolidated turnover. The recurrent grant is stated inclusive of institution specific targeted allocation funding and Widening Access funding. As a consequence of the challenging economic climate and the squeeze on public finances nationally following the October 2010 Comprehensive Spending Review, HEFCE is consulting on the basis of its core teaching funding for 2012 onwards, in particular the removal of funding for continuing "old regime" students in bands C and D (the Schools of Real Estate and Land Management, and Business) and will be reviewing the continuance of the targeted allocations for small and specialist institutions beyond 2012/13.

Whilst primarily a teaching institution, the College performed well in the 2008 Research Assessment Exercise and was awarded Quality Research (QR) funding from HEFCE worth £101k;(2010: £109k). The College is active in research on several fronts.

The purchase last year of Harnhill Manor Farm, as part of the College Farms estate, is now providing additional opportunities for well-established field experimentation on crop performance, particularly detailed studies of legume-cereal interactions, improving soil cultivation management and organic enterprise performance. This area of research which has been supported by the John Oldacre Foundation for over twenty years now benefits from additional support from Cotswold Seeds Limited and The British Grassland Society. Most of the PhD studies and resultant research publications by

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the College emanate from these farm-based investigations, through the Forage Legume Research Group.

Quality Research monies were agreed by the College Research Committee to continue to fund the PhD research programmes from 2010/11 and to convert the large scale field study at Harnhill Farm into a further PhD programme starting November 2011.

These new studies also focus on engaging young researchers mentored by experienced staff to increase engagement and provide a better basis for more farm - based research informed teaching. Such activities benefit young researchers in their career development. Important new research topics being explored include improving soil and carbon management, as well as small farmer links to markets. Recent membership of the multi-university research centre of the Countryside and Community Research Institute is also allowing new multi-disciplinary research such as rural development issues and wildlife management in addition to policy formulation. The outcome of such research should benefit society as a whole.

The College is working towards Research Degree Awarding Powers and making considerable efforts towards this goal. It's objective is to obtain these within five years as its investment in new projects and PhD researchers working at College bears fruit.

Consultancy world-wide continues actively at College with a number of staff involved in countries as diverse as Kenya, China, Vietnam, India, Tanzania and Qatar during the last 12 months.

Interest in the College's undergraduate courses continues to rise with a 14.5% increase in open day attendance numbers between September 2010 and June 2011 compared to the same period in the previous year which itself had shown a 29% increase. The new increase in fees for 2012 entry appears to be having little effect on numbers wishing to attend an open day and the September 2011 event was closed to bookings at the end of August, when 207 students had applied to attend. The two October 2011 open days were well supported with more students attending than this time last year, and the College anticipates a further rise in the number of applications now that students are back at school. There are another two open days in November.

The 12% rise in interest in postgraduate open days experienced in 2010 has been maintained during 2011 with an additional open day having been trialled in January.

The College continues to grow in student numbers and was awarded 50 Additional Student Numbers by HEFCE for 2010/11 under the University Modernisation Fund. Its funded contract number of 734 was increased by the allocation of 6 "Mandelson" student places in August 2009 though no grant funding was available for these. Of crucial importance to a small specialist institution is buoyant student recruitment and an attractive portfolio of courses.

The College recruited extremely well for the October 2010 entry and was forced to reject applications from a number of otherwise qualified UK/EU students in order to stay within its contract numbers for funded students. The enhanced societal recognition of the importance of food production and natural resource management has raised the profile of agriculture as an important and relevant subject of study and has led to a further substantial increase in applicants for programmes in the School of Agriculture.

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Fee paying undergraduate and postgraduate student numbers totalled 1,019 for 2010/11 compared to 942 in 2009/10 but the College was down on its 2010/11 projected number as some students were unsuccessful in their end of year exams and did not return. The increase in overall fee income in 2010/11 has come primarily from undergraduate fees (which the College has elected, through its Office of Fair Access (OFFA) agreement, to charge at the maximum level for all undergraduate courses delivered on campus).

Maintaining a student body of 1,000 fee paying students has been challenged by the cap on funded students imposed nationally with institutions being allowed to admit in 2009 or 2010 no more than in 2008. The College is recruiting well in 2011/12 with the increasing popularity of Agriculture and the move for students to defer gap years and avoid the new funding regime from October 2012 with the higher fees.

Under the new regime the College will be charging £9k across the board for all new entrants from October 2012 studying at the Cirencester campus, whatever their level of course or country of origin. The move in student numbers can be seen in the section on KPIs.

In addition to bursaries for students from low income families, the College runs a bursary scheme offering hands-on vocational training to all undergraduates through its Rural Skills Centre. This proved very popular with 201 students (2010: 166) benefitting and studying 56 different courses (2010: 26). Such training is particularly relevant to students from urban backgrounds.

Total training days delivered by the Rural Skills Centre to students and members of the public have grown by 11.9% in the past three years (2010: 9.7%). 36% of the training days were delivered to College students (2010: 23%), covering those on the Foundation Degrees in Agriculture and Conservation and Heritage Management.

External bookings for professional training days grew again this year to 69 days; this is due to growth in repeat business from banking clients and utility companies. These in the main comprise courses for those working in or with agriculture and land based industries. Future growth will be limited to entirely commercial sustainable courses as funds through the Higher Education Innovation Fund (HEIF) and the South West Regional Development Agency have stopped. The Centre continues with its sub-contract arrangement with Duchy College to deliver the Rural Development Programme for England Skills Programme in the South West following its successful bid this year. It is planned to continue the programme until March 2013 subject to contract extension. Whilst those working in the industry make up the majority of the clients, an appreciable number of courses are offered to the wider community.

The College completed the delivery of a three year Heritage Lottery Funded programme for the Prince's Trust in partnership with the National Heritage Training Academy South West, worth over £180k; additional funding support is being sought to continue the 'get into' programmes. It has also been successful in working with other local community based charities in adult education as well as a consortium of local schools on vocational subjects.

The College again successfully delivered the Worshipful Company of Farmer's Advanced Course in Business Management in 2011 and is currently recruiting candidates for the 2012 programme. The Institute of Agricultural Management Leadership Development Course will be delivered in 2012 with the first week being held at the College, the second week in Brussels and the final week in London. This unique course was developed in conjunction with the Institute following a Nuffield

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Farming Scholarship Trust Jubilee report which identified the need for leadership courses around the world. Over 60 delegates have attended the Leadership Development Programme and many are now involved in running and shaping the agricultural industry. The John Edgar Trust Management Development Programme 2010/11 successfully gained accreditation status through the Rural Employer Engagement Development Network (REEDNet) project. The project has provided valuable funding to the Trust through the accreditation process for 2 training programmes. The next programme will be held in 2012/13 with a Farm Walk in May 2012.

In the past year the student enterprise activities at the College have continued to grow, with student entries to the Grand Idea doubling from the previous year (2010:9) entrants compared with 2011:19 entrants. The College Entrepreneurs Club (RACE) has also continued to develop with an active committee of students heading up the club who are keen to encourage and support the entrepreneurial student population at the College. In the coming year, the club are hosting a number of events for their contemporaries and will be working closely with the newly formed College Entrepreneurs Society. This is a group of College alumni and supporters from business who are keen to engage with the College in terms of enterprise and business creation. Currently there are 42 members of the society and it is intended that these members will act as mentors to the current student members of RACE.

The enterprise activities are currently growing and the College is now a member of both the National Consortium University Entrepreneurs (NACUE) and the Enterprising Student Societies Accreditation (ESSA) who are national enterprise support organisations. The College is seeking accreditation from ESSA in 2011/12 to a minimum of a bronze standard. As well as submitting entrants to the Enterprising U competition, as a follow on activity from the Grand Idea, the College is continuing to host the National Grassroutes Challenge and to date the 2011 competition has 8 Universities attending: (48 students).

The social enterprise run by the College, Muddy Wellies, is forecasting increased sales in 2011/12 and is due to turnover £15k. The students have attended a number of events over the summer period and are due to attend more over the Christmas season. The Muddy Wellies product range is now focused on ale and cider, with the profits being invested in a Proof of Concept fund for the College students.

As part of the Knowledge Escalator Project (KE), which concludes at the end of September 2011, the College worked with the 12 Universities across the South West region. As part of this project the College has provided mentoring support to around 90 students as well as awarding 5 proof of concept grants. In addition to this the KE has meant the College has been able to provide Non-Executive Director training to one member of staff as well as placing them with a local renewable energy company. In addition, the College hosted a Good Practice Event for the SW Universities in March 2011 and as a result has written a good practice guide and set up a networking group amongst the Chairs of the University Enterprise clubs on the social website Linked-in.

The College works in partnership with a number of Universities to support business development. A pilot collaboration this year, though a secondment in the Business Development Centre to the University of Gloucestershire, has provided an excellent opportunity for knowledge and best practice sharing. The cut in HEIF has left the institution short of capacity to grow business and community engagement and strategic partnership for business development is a priority going forward.

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The REEDNet co-funded, employer engagement project finished this year and the strategic development funded staff have left the College. Recruitment improved in 2010/11, achieving 253 individuals (42.21 FTE equivalent), compared to the 174 individuals being taught (29 FTE equivalent) in the previous year, but was still significantly below the project target number of 180 FTEs. Employer Engagement delivery has been structurally repositioned into the School of Agriculture and a core delivery team established. The focus going forward is to grow existing partnership delivery and achieve the target recruitment for 2011/12 of 80 FTE student places.

The reputation of the College 100 Club continues to grow and a full Fellowship programme is planned for the coming year. Additional resource is now in place to support the existing membership and grow subscribing members.

In October 2010, a small dedicated development team was established to maximise long-term giving to the College primarily through building relationships with friends and supporters of the College in order to secure major gifts from individuals, alumni, charitable trusts, foundations and companies. In May 2011, the development team also engaged the voluntary support of a small Leadership Team consisting of:

- His Grace the Duke of Somerset, DL, FRICS
- The Lord Apsley, MRAC (now The Earl Bathurst, MRAC)
- Miss Elizabeth Buchanan, CVO
- The Lord Cameron of Dillington, DL, FRICS
- Mr Hugh Coghill FRICS, FAAV
- Sir Henry Elwes, KCVO
- The Earl of Iveagh, DL
- Prof Michael Osbaldeston, OBE
- Mr Simon Pott, FRAgS, FRICS, FInstCPD, MRAC

In this last financial year, the College is grateful to have received substantial donations from the Frank Parkinson Trust, the African Fellowship Trust, the Sir Emrys Jones Memorial Trust and the Geoffrey Cragghill Memorial Scholarship Trust, as well as a large number of smaller corporate and individual donations. These total a philanthropic income of £320k.

The College has participated in the HEFCE matched funding programme for voluntary giving since its inception in 2008. This scheme ended on 31 July 2011. The College was a tier 2 participant and as such expects to have received in total awards of £260k with £69k received in 2010/11 and a final payment of £179k expected in 2011/12.

In 2010/11 the College awarded £306k in Higher Education Bursary and Scholarship Scheme (HEBSS) top up bursaries; (2010: £250k) and £7k Hardship funds (2010: £10k) to students from low socio-economic or disadvantaged backgrounds. In addition it distributed £34k of its own monies in bursaries paid to students and, as referred to elsewhere, funded vocational training in rural skills and practical agriculture by way of student training bursaries valued at £60k (2010: £70k). In 2011/12 the College plans to increase its scholarship & bursary awards in addition to providing full financial support for two additional Fellows on the popular International Rural Development course.

The College has been able to continue to make further significant investment in its estate this year. It has completed phase 2 of the Mechanisation Wing redevelopment (now re named the Emrys Jones Centre) significantly enhancing and extending the teaching, learning and social space for students.

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The final third of the building has undergone renovation and adaptation during the summer to provide a dedicated Post Graduate Learning Centre ready for the new academic year October 2011. Other projects undertaken this year have included the renovation of the Soil Science Laboratory, renovation and adaptation of parts of the First Floor Garner Block into new Teaching staff offices, the adaptation and creation of space adjacent to the Library for a new College Shop and IT support Centre.

In line with the Estates & Capital planning strategy, phase 1 works commenced on the replacement of the West Lodge student accommodation building. This phase, comprising of 23 bedrooms, will be completed by December 2011 to enable the demolition of the old 1950s structure and commencement of phase 2. The 57 bedroom project will be fully completed by September 2012. The additional 34 bedrooms will provide the option for undergraduate students to have self-catered accommodation.

Capital expenditure in 2010/11 amounted to £2,850k compared to £2,870k in 2009/10. £2,910k is budgeted for further investment in the Estate during 2011/12; (£4,540k: 2010). Actual spend in 2011 was below that budgeted as delays to the Mechanisation Wing project caused the start date for the West Lodge rebuild to be put back to June 2011.

The College has invested heavily in IT this year with the purchase of a new student Management Information Systems package which will be used for Admissions in 2011/12 with full functionality available for October 2012. This package will introduce on-line enrolment, web based payments, on-line booking for accommodation and should both enhance the student experience and deliver process efficiencies. The College has invested in the roll-out across the entire campus of wi-fi ready for the beginning of the new academic year and has increased the IT Help Desk presence to an all-day support for students. The IT Services department has relocated to the Library Block and aims to provide an integrated service from this more accessible location.

For 2010/11 the length of the student residency contract was extended to include the Christmas and Easter breaks, so the weekly room tariffs were not amended. Maximum occupancy was achieved and maintained throughout the year. Such was the demand for accommodation that applicants living closest to the College (within 30 miles) could not all be housed on campus (as per the College Policy). The Accommodation Policy has now been amended to simply "first come first served". For 2011/12, the room tariffs have been increased by 5% on the previous year.

The Environmental and Sustainability Strategy Group continues to oversee the development and implementation of the College's environmental and sustainability policy and strategy and there have been a number of recent developments in this area of the College's activities.

For instance, the majority of the College's teaching rooms, plus the library and other buildings, are now heated through a new biomass district heating system. This was installed in early 2011 and uses woodchips in order to provide 'carbon neutral' heat. It is estimated that installing this system will reduce the College's carbon footprint by over 100 tCO₂ per year. The system is also used as an educational resource and has already been integrated into several of the College's teaching programmes as well as providing a 'live' example of renewable heating for a number of knowledge-exchange conferences and courses.

The College has, in line with HEFCE's objectives, also formalised its future approach to energy and carbon management through the preparation of a Carbon Management Plan. This details the

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College's aim to reduce scope 1 and 2 carbon emissions (from energy use and owned transport) by 34% by 2020 from a 2005 baseline, and includes an implementation plan setting out how the College intends to meet this target.

In line with the College's aim to manage its developments in an environmentally-friendly and sustainable manner, the newly opened Emrys Jones Centre incorporates a range of environmentally-sustainable measures, including rainwater harvesting, low energy movement and daylight-sensitive lighting and a natural ventilation system. The building was also designed to maximise natural light and is heated by the biomass district heating system.

The College's farms continue to integrate commercial farming with environmentally sustainable management and the College has entered Natural England's Higher Level Stewardship scheme. This commits the College to undertaking, over the next decade, a range of environmental management options which are designed to benefit, amongst other things, farmland birds and rare arable plants.

The College farms continue to be an invaluable asset for the use in teaching, learning, demonstration and research. An increasing number of research projects are now being undertaken on the farms in collaboration with various partners. Student learning hours facilitated through the Farms totalled 4,002 which was a reduction from the previous year (2010: 8,814) due in part to under-reporting, and in part to the need for lecturers to vary assessment briefs.

The relationship with the contractors appointed to carry out the arable work on the farms continues to work well, with the College now managing its own sheep flock.

Looking forward a significant proportion of Harnhill farm will be taken out of organic production after the 2012 harvest and this will allow opportunities for further research on comparisons between organic and conventional farming and the effects of the transition between the two.

The College has reduced its staff numbers slightly to 196 for the year 2011; (2010: 200). The emphasis put on pastoral care and the well-developed tutorial system is reflected in the high student satisfaction results shown in the KPIs. Staff turnover has increased to 12.99% (all staff); 6.88% academic staff. This compares to 9.45% (all staff) and 2.04% (academic staff) in 2010. The projected turnover rate for 2010 was +/-10%. The College has experienced a slight percentage increase in staff turnover this year compared to 2010 as efficiency savings were made, multiple fixed term projects ended with the loss of regional and future HEIF funding and several staff retired before the change in legislation removing the Normal Retirement Age.

The College has a wholly owned trading subsidiary, Royal Agricultural College Enterprises Limited, (RACEL) which runs the conference and consultancy business. The profits of the subsidiary gift aided to the parent company increased to £250k this year compared to £196k in 2010.

Investments

The College manages its investment portfolio through Cazenove Fund Management which acts as its broker. The portfolio performance is reported to, and monitored by, the Investment Committee which meets at least three times a year and reports to Governing Council on a regular basis. During 2010/11 the market value of College stock market investments improved to £892k (2010: £838k).

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Net Worth

Despite substantial financial contributions by the College amounting to £1,093k and a restructured portfolio of stock market investments, the FRS 17 pensions deficit has increased to £5,482k (2010: £4,557k) as a result of a reduction in the discount rate due to falling yields on gilts and stock market volatility at the end of July leading to asset under performance.

The College's net worth has increased to £11,579k (2010: £11,069k). The main movements on the balance sheet arise from a combination of the increased value of fixed assets (buildings) with the corresponding reduction in cash balances, the increased pensions deficit and the surplus for the year.

Capital financing, cash and borrowings

HEFCE Project Capital Round 5 monies 2008/11 have been used to upgrade teaching facilities in the redeveloped Mechanisation Wing and a bio-mass district heating system has been installed, part funded by a £150k grant from the South West Regional Development Agency.

Work has started on West Lodge development. The College is borrowing £2,500k secured against this building and the first draw-down of £200k against the build profile occurred in September 2011. Completion is targeted for the October 2012 student admissions.

Over the next two years further capital will be invested in green transport initiatives which will include a permanent cycle way into Cirencester and the installation of a pedestrian crossing for student use outside the College. Looking 3-5 years ahead planning permission has been secured for a new teaching block on campus. This will be a challenging programme to fund.

Cash in hand has remained positive but has fallen slightly to £3,189k net of overdraft (2010: £3,984k). The £795k decrease in cash holdings (excluding endowments) is primarily due to the investment in the Estate as outlined above and shown in note 13 to the accounts.

The amounts outstanding on bank loans have fallen in year by £216k to £3,835k (2010: £4,051) as repayments have been made. The College is committed to a new fifteen year loan with Handelsbanken for £2,500k to fund the rebuild of West Lodge. External borrowing as a percentage of consolidated turnover has risen steadily over the last few years from 11.29% in 2007 to 19.37% at the end of the year; (2010: 25.73%). The new Handelsbanken loan will take the annual servicing costs of all loans to 4.2%, for which the College has secured HEFCE consent. The Governors took professional advice under s38 of the Charities Act 1993 before securing the new building against the loan.

The College's current ratio has deteriorated slightly from 1.84 in 2007 to 1.38 at July 2011; (2010: 1.74). This is in-line with the 1.4 projected a year ago. By July 2012 the current ratio is projected to fall to 1.07.

Looking Forwards

The main areas of uncertainty in the future concern the extent to which the Higher Education White paper will impact on the College and the sector, the outcome of the consultations on the future of HEFCE teaching funding and other grants, and the effect of the new higher fees regime that comes into force in 2012. Public grants from HEFCE account for 33% of College turnover and have been more or less at this level since the College joined the public sector.

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From October 2012 the College will be charging £9k per annum for new regime students taught in Cirencester, be they home, EU, overseas, undergraduate or postgraduate, under the strap line of "One College One Fee". The only exception to this will be students on degree courses validated by the College at partner Further Education (FE) colleges, where the fee will be a matter for the FE College. This is expected to be normally in the region of £6k.

The College's Access Agreement and plans for widening participation post October 2012 have been accepted by the Office for Fair Access (OFFA). The agreement lays responsibilities on the College which will be assessed on a regular basis by OFFA.

Not only is the impact of higher fees on undergraduate recruitment uncertain, but other changes proposed by HEFCE in response to the comprehensive spending review cuts introduce additional volatility into the market. It is proposed that high achieving students scoring AAB or better at 'A' Level, or equivalent qualifications, should be removed from the control number for new entrants for each institution; HEIs may then recruit as many of these as they can or wish.

It is also proposed that an additional 8% should be removed from the control numbers of all HEIs: these numbers would be available for bidding against by those institutions whose average fee was £7.5k per annum or less. These student numbers will be lost to the College unless they can be replaced by students making no call upon the public purse. Notwithstanding the opportunities this "market" presents, the College will still have to continue to look at alternate sources of income to compensate for cuts in revenue from student fees. It has already started to expand its provision of fully funded bespoke private courses at postgraduate level and to develop its fundraising activities.

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

The College has identified a series of long-term projects for which it is seeking financial support. During the next financial year, the development team will be focusing on securing increased donations for;

- Scholarships and bursaries, ahead of the introduction of tuition fees in October 2012, and as a key part of the College's commitment to widening participation;
- Modernisation of the on-campus facilities and the farms;
- Enhancement of its international and postgraduate offering.

as well as establishing the resources and practices for philanthropic income to be at the core of the College's long term aspirations.

Governing Council decided to reduce financial risk by closing the College's bespoke Defined Benefit Pension Scheme to future accrual on 30 September 2010. Support staff have moved into a Defined Contribution (Money Purchase) pension offered by Aegon. Teaching staff have joined the Teachers' Pension Scheme (TPS). The move into TPS brought with it some legacy issues that have been mitigated by the provision of a TPS under-pin to the retirement benefits of affected staff. This is explained in Note 26a. Notwithstanding this the matter is retained in these financial statements as a contingent liability (see Note 35). HEFCE is fully aware of this issue.

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It is clear the Higher Education sector faces a period of considerable uncertainty. However the Governors are satisfied that the College is a going concern and remain confident about its future. The College has been in business since 1845 and has successfully weathered financial challenges in the past and will adapt as necessary to survive an unsettled future. Moreover, both the College Management and its Board of Governors have strong commercial awareness and will put in place plans to cope with the changing financial landscape and maintain the core business. College Management has demonstrated an ability to adapt to changing financial circumstances in order to "balance the books" and continue to keep the operations of the business under constant review.

Key Performance Indicators focussing on the provision of education

Year ending July	2008	2009	2010	2011	2012 projected
Student Numbers	828	837	942	1,019	1,133
HEFCE Contract Number	704	734	740	790	770
% of overseas students	9.3%	7.1%	9.6%	11.3%	7.9%
Number of countries from which overseas students are drawn	Over 30	Over 30	45	40	38
Number of Firsts and Upper 2nds	62	71	70	96	To predict would imply a quota
Student retention/wastage rates (whole College)	3.6%	3.4%	1.8%	N/A	To be better than national average
Average A Level point score on admission to undergraduate programmes	293	287	293	300	To predict would imply a quota
Students in Employment / Further Study	89.1%	90.7%	94.0%	Figures from the DELHE Survey taken the January following graduation	
Students seeking work	5.2%	2.0%	1.6%	Not yet available	
College Internal Student Satisfaction Survey (All Years)	N/A	N/A	89.0%	87.7%	Maintain satisfaction levels at or above National averages
Professional Training Days Delivered	28	34	48	69	
Rural Skills Vocational Training Days	2,068	2,060	2,270	2,306	Not Avail
Outreach events for WP participants	91	137	250	300	Not Avail
Outreach participants	400	1,579	3,100	3,500	Not Avail
Percentage of lecturing staff with PGCHes or Fellows of the HE Academy	30.2%	40.9%	39.1%	46.8%	50.0%
Percentage of academic time spent teaching/teaching support	88.2%	86.4%	81.6%	86.0%	Not less than 80%

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Not all of these KPIs lend themselves to projections or targets. The College aims to maintain or better high standards of performance in all areas. The actual performance compared to the projected performance this time last year can be seen below for those KPIs that were quantifiable.

	Projected	Actual
Student Numbers	1,030	1,019
% of overseas students	11.4%	11.2%
Professional Training days	78	69
Percentage of lecturing staff with PGCHes or Fellows of the HE Academy	50.0%	46.8%
Percentage of academic time spent teaching/teaching support	80.0%	86.0%

Risk Management: Statement of internal control

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

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

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

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

As part of the annual update of operational risks that feed into the strategic risk register a traffic light self-assessment system is used. Key strategic risks are assigned to individual members of the Senior Management Group (SMG). There is a four tier hierarchy of risk registers ranging from the operational, departmental registers to the strategic, higher level registers. SMG updates the strategic risk registers annually with a final report to the Audit Committee and Governing Council in the summer. Regular reports have been made to the Planning and Resources Committee, Audit Committee and Governing Council on risk management within the College.

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

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

Following a tender exercise in Spring 2011 KPMG were appointed as internal auditors effective 1 August 2011 for an initial 3 year term with a two year rolling review option.

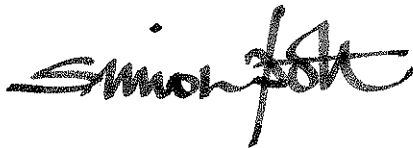
The Governors' review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports to Governors and management. On the basis of this information the Governors identify areas where actions are required to improve the effectiveness of the systems of internal control and steps are taken to address these.

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

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

Auditors

BDO LLP was appointed as Auditor to the Company on 1 April 2008 for three years and a resolution for their continuance will be considered at the November 2011 meeting of Council.



S F Pott
Chairman
18 November 2011

The Royal Agricultural College

Independent Auditors' Report to the Governing Council of The Royal Agricultural College

We have audited the financial statements of the Royal Agricultural College for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the group and the College, the Consolidated Cash Flow Statement 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the College's Governing Body and Auditors

As explained more fully in the statement of responsibility of the Board of Governors, the members of Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards of Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apd/scope/private.cfm.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Group's and College's affairs as at 31 July 2011 and of the Group's surplus of income over expenditure for the year then ended;

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- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received and;
- income has been applied in accordance with the College's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.

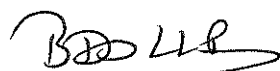
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



James Aston, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor

Epsom

United Kingdom.

Date: 23 November 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Statement of Principal Accounting Policies and Estimation Techniques

Basis of Preparation

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

The Financial Statements have been prepared on the going concern basis.

Format of the financial statements

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

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

Basis of consolidation

The consolidated income and expenditure account and balance sheet include the College and Royal Agricultural College Enterprises Limited. As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account of the College is presented. Intra-group sales and profits are eliminated fully on consolidation. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting in accordance with FRS 9.

Income Recognition

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

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

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

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

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

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

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

Agency arrangements

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

Leases and hire purchase contracts

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

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

Taxation

The College is a registered charity and is classed as a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax (VAT). The College's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Irrecoverable VAT on inputs is included in the costs of such expenditure. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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

Accounting for goodwill and intangible fixed assets

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

Apportionment of costs

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

Tangible fixed assets for College use

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

Fixed assets are stated in the balance sheet at cost or, in the case of the property at 2 Chesterton Park and Harnhill Manor Farm, at open market value. The valuation of 2 Chesterton Park as at 31 July 2009 was carried out at 27 August 2009 by Moore, Allen and Innocent. Harnhill is included at open market value as advised by Savills in September 2009 pursuant to the mortgage valuation at the time of purchase. Cost of fixed assets includes interest on borrowings to finance the construction of assets to the extent that such interest accrues in respect of the period of construction.

Properties held at open market value are revalued every three years.

Tangible fixed assets held for investment purposes

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

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

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

Acquisition with the aid of specific grants

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

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Depreciation

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

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

Repairs and maintenance

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

Investments

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

Investments in associated companies, are shown in the consolidated balance sheet at attributable share of net assets, unless decided otherwise by the Governors.

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

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

Heritage Assets

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

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

The two groups of assets are stated at valuation in the financial statements (based on valuations carried out in the Spring of 2010), and the valuations are not subject to depreciation. There is no reason to believe that there has been any impairment in the value of these assets.

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

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Stocks

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

Cash flows and liquid resources

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

Foreign currency translations

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

Accounting for research and development

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

Intra Group Transactions

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

Accounting for charitable donations

Unrestricted donations

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

Endowment funds

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

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

Expendable endowments - where Trustees have the power of discretion to convert endowed capital into income.

Total return on investment for permanent endowments

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

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

Donations for fixed assets

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

Gifts in Kind, including donated tangible fixed assets

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

Accounting for retirement benefits

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

Since October 2010 teaching staff have been active members of the Teachers' Pension Scheme (TPS), whose accounting treatment is outlined in note 26.

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

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

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

The College 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, the Universities Superannuation Scheme Limited.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the College has a present obligation (legal or constructive) as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

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

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

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Consolidated income and expenditure account for the year ended 31 July 2011

	Notes	Continuing operations 2011 £'000	Discontinued operations 2011 £'000	Total 2011 £'000	Total 2010 £'000
Income					
Funding council grants	1	5,746	-	5,746	5,263
Tuition fees and education contracts	2	5,035	-	5,035	4,264
Research grants and contracts	3	61	-	61	73
Other income	4	6,570	-	6,570	6,083
Endowment and investment income	5	63	-	63	59
Total income		17,475	-	17,475	15,742
Expenditure					
Staff costs	7	7,807	-	7,807	7,198
Depreciation of tangible fixed assets	13	740	-	740	695
Other operating expenses	10	7,461	-	7,461	7,264
Interest and other finance costs	8	297	-	297	365
Total expenditure	9	16,305	-	16,305	15,522
Surplus after depreciation of tangible fixed assets and before tax		1,170	-	1,170	220
Share of (loss) in associated company	16	-	-	-	(14)
Profit/(loss) on disposal of fixed assets	11a	(10)	-	(10)	28
Provision for diminution of investment value below cost	11b	25	-	25	73
Taxation		-	-	-	-
Surplus after depreciation of tangible fixed assets and tax but before exceptional items		1,185	-	1,185	307
Exceptional item: provision for loss on operations to be discontinued	38	-	-	-	(25)
Surplus after depreciation of tangible fixed assets, disposal of assets and tax		1,185	-	1,185	282
Surplus for the year transferred to accumulated income in endowment funds	24	-	-	-	(1)
Surplus for the year retained within general reserves	27	1,185	-	1,185	281

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Statement of consolidated historical cost surpluses and deficits for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Surplus after depreciation of tangible fixed assets, disposal/ diminution of assets and exceptional items, but before tax		1,185	282
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	27 & 28	25	23
Historical cost surplus for the year before taxation		1,210	305
Historical cost surplus for the year after taxation		1,210	305

Consolidated statement of total recognised gains and losses for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Surplus after depreciation of tangible fixed assets, disposal/ diminution of assets, exceptional items and tax		1,185	282
Movement in unrealised loss on investments	28	29	-
Unrealised surplus on revaluation of fixed assets	28	25	2,023
Actuarial (loss) recognised in the pension schemes	26	(1,447)	(652)
Endowments net of disbursement	17 & 24	(1)	-
Total recognised (losses)/gains relating to the year		(209)	1,653
Heritage Assets Value	13	-	521
Total losses and gains recognised since last annual report		(209)	2,174
Reconciliation			
Opening reserves and endowments		9,895	8,242
Total recognised (losses)/gains relating to the year		(209)	1,653
Closing reserves and endowments		9,686	9,895

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Balance sheets at 31 July 2011

		Group		College	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	-	-	-	-
Tangible assets	13 & 14	18,384	16,260	18,384	16,260
Other investments	15	892	838	942	888
Investment in associated company	16	-	-	-	-
Total fixed assets		19,276	17,098	19,326	17,148
Endowment assets	17	164	165	164	165
Current assets					
Stocks	18	321	320	298	297
Debtors	19	1,188	866	1,402	935
Cash at bank and in hand		3,312	4,148	2,939	3,935
		4,821	5,334	4,639	5,167
Less: Creditors - amounts falling due within one year	20	(3,503)	(3,070)	(3,371)	(2,953)
Net current assets		1,318	2,264	1,268	2,214
Total assets less current liabilities		20,758	19,527	20,758	19,527
Less: Creditors - amounts falling due after more than one year	21	(3,617)	(3,825)	(3,617)	(3,825)
Less: Provisions for liabilities	22	(80)	(76)	(80)	(76)
Net assets excluding pension liability		17,061	15,626	17,061	15,626
Net pension liability	26	(5,482)	(4,557)	(5,482)	(4,557)
Net assets including pension liability		11,579	11,069	11,579	11,069
Represented by:					
Deferred capital grants	23	1,893	1,174	1,893	1,174
Expendable endowments	24	164	165	164	165
Share capital	25	1	1	1	1
Reserves					
Income and expenditure account excluding pension reserve	27	11,870	11,182	11,870	11,182
Pension reserve	26	(5,482)	(4,557)	(5,482)	(4,557)
Income and expenditure account including pension reserve	27	6,388	6,625	6,388	6,625
Revaluation reserve	28	3,133	3,104	3,133	3,104
Total Funds		11,579	11,069	11,579	11,069

The financial statements on pages 33 to 78 were approved and authorised for issue by Governing Council on 18 November 2011 and were signed on its behalf on that date by:



Governor
Mr Simon Pott



Governor
Mr Julian Sayers

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Consolidated cash flow statement for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	30	1,526	1,524
Returns on investments and servicing of finance			
Income from endowments	5	-	-
Other interest received	5	32	2
Interest paid	8	(184)	(156)
		(152)	(154)
Capital expenditure and financial investment			
Payments made to acquire fixed assets	13	(2,850)	(2,870)
Proceeds from sale of fixed assets	11 & 13	-	37
Proceeds from sale of investments		-	3
Net endowment income	17	(1)	-
Deferred capital grants received	23	866	308
Endowments received	17	-	-
		(1,985)	(2,522)
Net cash (outflow) before use of liquid resources and financing		(611)	(1,152)
Management of Liquid Resources	5	31	57
Financing	31	(216)	2,029
(Decrease)/Increase in cash		(796)	934

Reconciliation of net cash flow to movement in net (debt)/funds

	Notes	2011 £'000	2010 £'000
(Decrease)/Increase in cash in the period		(796)	934
Change in Debt	31	216	(2,029)
Change in Net (Debt)/Funds		(580)	(1,095)
Net Funds at beginning of year		98	1,193
Net (Debt)/Funds at the End of the Year	32	(482)	98

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Notes to the consolidated financial statements for the year ended 31 July 2011

1. Funding council grants

	2011 £'000	2010 £'000
Grants from Higher Education Funding Council for England (HEFCE):		
Recurrent grant	4,218	4,686
Specific grants:		
- Lifelong Learning	39	48
- Teaching Enhancement & Student Success (TESS)	246	56
- Economic Challenge Investment Fund (ECIF)	143	87
- Fundraising	69	15
- UMF T Grant	271	-
- UMF E Grant	432	-
- Research	101	109
- Higher Education Innovation Fund (HEIF)	112	147
Deferred capital grants released in the year:		
- Buildings (see note 23)	100	93
- Equipment (see note 23)	15	22
	5,746	5,263

2. Tuition fees and education grants

	2011 £'000	2010 £'000
Students:		
Full time home and EU students	3,185	2,760
Full time international students	991	857
Part time students	88	186
	4,264	3,803
Short courses	771	461
	5,035	4,264

Of the above tuition fees, £306k were met by HEBSS top up bursaries funded by the College (2010: £250k).

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

3. Research grants and contracts

	2011 £'000	2010 £'000
Research councils and charities	45	28
Industry and commerce	5	21
Other grants and contracts	11	24
	61	73

4. Other income

	Continuing operations		Discontinued operations		2011 £'000	2010 £'000
	2011 £'000	2010 £'000	2011 £'000	2010 £'000		
Residences, catering and conferences	3,366	3,190	-	-	3,366	3,190
Consultancy	199	182	-	-	199	182
Regional projects	225	172	-	-	225	172
Farming	684	466	-	380	684	846
Released from deferred grants (see note 23)	32	26	-	-	32	26
Other income	2,064	1,667	-	-	2,064	1,667
	6,570	5,703	-	380	6,570	6,083

5. Endowment and investment income

	2011 £'000	2010 £'000
Income from expendable endowments (see note 24)	-	-
Income from short term investments	31	57
Other interest receivable	32	2
	63	59

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

6. Net income from trading activities of subsidiary

Royal Agricultural College Enterprises Limited	2011	2010
	£'000	£'000
Profit and loss account		
Turnover	1,090	943
Cost of sales	(841)	(747)
Gross profit	249	196
Interest receivable	1	-
Profit before charitable contribution	250	196
Gift Aid payment to parent company	(250)	(196)
Retained in subsidiary	-	-

Royal Agricultural College Enterprises Limited is registered and incorporated in England and Wales (Reg no 2752048). Its principal business activities are the provision of residential conference facilities, consultancy and training in catering. Of the turnover of the subsidiary £28k (2010: £78k) is from overseas.

7. Staff costs and employee information

	Continuing operations		Discontinued operations		2011	2010
	2011	2010	2011	2010		
Average weekly staff numbers by major category						
Academic	44	46	-	-	44	46
Residential	78	76	-	-	78	76
Office, management and technical	72	75	-	-	72	75
Farming	2	3	-	-	2	3
	196	200	-	-	196	200
Staff costs						
	Continuing operations		Discontinued operations		2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	6,329	6,074	-	7	6,329	6,081
Social security costs	569	528	-	1	569	529
Other pension costs	1,093	944	-	1	1,093	945
Pension provisions (see note 26)	(184)	(357)	-	-	(184)	(357)
	7,807	7,189	-	9	7,807	7,198

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

7. Staff costs and employee information (continued)

No remuneration was paid to Governors (who are also directors) during the year. The aggregate directors' emoluments during the period were £Nil (2010: £Nil) and no amounts are accruing to any of the College's pension schemes.

The emoluments of the staff representatives on Governing Council in year, in their respective roles as employees of the College, totalled £134k (2010:£155k) including pension contributions of £14k (2010:£27k) and taxable benefits. There are 3 staff representatives on Governing Council.

The emoluments of the Principal in the year totalled £171k (2010: £150k) including pension contributions of £22k (2010: £19k) and an allowance for occupancy of College property as one of the conditions of employment.

The number of other higher paid employees who received emoluments in the following ranges was:

	2011	2010
	Number	Number
Emolument Range		
£100,000-£109,999	-	1

8. Interest and other finance costs

	2011	2010
	£'000	£'000
Loans wholly repayable within five years	7	6
Loans repayable wholly or partly in more than five years	177	150
Net interest charge on defined benefit pension scheme (see note 26)	113	209
	297	365

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

9. Expenditure

	Continuing operations		Discontinued operations		2011 £'000	2010 £'000
	2011 £'000	2010 £'000	2011 £'000	2010 £'000		
Total expenditure is stated after charging:						
External auditors' remuneration in respect of audit services (College £30,550; 2010:£23,500)*	30	23	-	-	30	23
External auditors' remuneration in respect of audit services prior year under/(over) accrual *	2	(3)	-	-	2	(3)
Internal auditors' remuneration in respect of audit services (College £25,710; 2010:£19,534) *	26	19	-	-	26	19
Auditors' remuneration in respect of non-audit services (College £Nil; 2010:£Nil) *	-	-	-	-	-	-
Depreciation charge for the period:						
- Tangible fixed assets	740	695	-	-	740	695
Loss/(gain) on sale of tangible assets for college use	10	(3)	-	(22)	10	(25)
Hire of land and buildings: operating leases *	51	62	-	11	51	73
Hire of plant and machinery: operating leases *	33	18	-	-	33	18
Governors' travel expenses	3	4	-	-	3	4

Key:- * 2011 including VAT / 2010 excluding VAT

Governors' travel expenses
Nine Governors received travel expenses in the year

10. Analysis of other operating expenses

	Continuing operations		Discontinued operations		2011 £'000	2010 £'000
	2011 £'000	2010 £'000	2011 £'000	2010 £'000		
Academic departments	1,536	1,696	-	-	1,536	1,696
Academic services	648	623	-	-	648	623
Research Grants	89	85	-	-	89	85
Consultancy	72	98	-	-	72	98
Residences, catering and conferences	1,794	819	-	-	1,794	819
Premises	418	1,318	-	-	418	1,318
Administration	1,156	864	-	-	1,156	864
Staff and student facilities	1,105	1,176	-	-	1,105	1,176
Others including general endowment expenditure	643	300	-	285	643	585
Total per income and expenditure account	7,461	6,979	-	285	7,461	7,264

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

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

	Continuing operations		Discontinued operations		2011 £'000	2010 £'000
	2011 £'000	2010 £'000	2011 £'000	2010 £'000		
(Deficit)/surplus on disposal of plant and equipment	(10)	25	-	-	(10)	25
Liquidation of part of investment portfolio	-	3	-	-	-	3
	(10)	28	-	-	(10)	28

11b. Provision for diminution of investment value below cost

	2011 £'000	2010 £'000
Rise in market value of investments below cost	25	73
	25	73

Last year, the market valuation for Cazenove of the stock market portfolio increased by £73k, but remained £25k below the original cost value. In the current year, the market valuation of the portfolio has recovered by £54k and now shows a £29k unrealised gain.

12. Intangible fixed assets

Group and College	2011 £'000	2010 £'000
Cost		
At 31 July 2011	57	57
Accumulated Amortisation		
At 31 July 2011	57	57
Net book value		
At 31 July 2011	-	-
At 31 July 2010	-	-

These figures relate to milk quota purchased in 1994.

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

13. Tangible fixed assets for College use

Group and College	Freehold land and building at valuation £'000	Freehold land and buildings at cost £'000	Assets in course of construction at cost £'000	Heritage assets at valuation £'000	Fixtures, fittings and equipment at cost £'000	Total 2011 £'000	Total 2010 £'000
Cost/Valuation							
At 1 August 2010	4,425	13,628	582	525	2,083	21,243	16,677
Additions	-	-	2,489	-	361	2,850	2,870
Reclassification of assets	-	2,298	(2,739)	-	441	-	-
Revaluation on acquisition	-	-	-	-	-	-	2,000
Disposals	-	(44)	-	-	(70)	(114)	(304)
At 31 July 2011	4,425	15,882	332	525	2,815	23,979	21,243
Depreciation							
At 1 August 2010	-	4,850	-	-	1,433	6,283	5,903
Provided during the year (see Note 9)	24	493	-	-	223	740	695
Eliminated on disposal	-	(44)	-	-	(60)	(104)	(292)
Revaluation during the year (see Note 28)	(24)	-	-	-	-	(24)	(23)
At 31 July 2011	-	5,299	-	-	1,596	6,895	6,283
Net book value							
At 31 July 2011	4,425	10,583	332	525	1,219	17,084	
At 31st July 2010	4,425	8,778	582	525	650		14,960

The freehold land and building at valuation comprises Chesterton Park (£175k) and Harnhill Manor Farm (£4,250k), both of which were revalued in 2009/10.

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

Within freehold land and buildings at cost, Bailey Lodge and Steadings Cottages, included at net book values of £27k and £61k respectively, have been pledged to the pension trustees towards the deficit in the College defined benefit scheme.

Tangible fixed assets were restated for the year ended 31 July 2009 to include Heritage Assets. These have been included at Insurance Valuation as prepared by Messrs Dreweatts (furniture, paintings, silver etc) and Messrs Bloomsbury Auctions (books) in April 2010. These had an aggregate valuation of £525k.

The College has not yet received the Certificate of Practical Completion for the works on the Emrys Jones Centre included in Freehold Land and Buildings and Fixtures, Fittings and Equipment.

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

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

14. Tangible fixed assets for investment purposes

Group and College	2011 £'000	2010 £'000
Freehold land and buildings at valuation		
At 1 August	1,300	1,300
Revaluation during the year (see Note 28)	-	-
At 31 July	1,300	1,300

Tangible fixed assets held for investment purposes, representing freehold land and buildings held at 31 July 2011, are included at not less than their open market values.

A valuation of the freehold buildings was prepared at 31 July 2009 by Moore, Allen and Innocent, an independent firm of chartered surveyors and land agents.

A valuation of the freehold land was prepared at 31 July 2009 by BNP Paribas Real Estate, independent multinational real estate advisors.

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

Original cost of the investment properties was £366k.

15. Other investments

	Group		College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 August	838	765	888	815
<i>Net unrealised profit/(loss) on revaluation:-</i>				
Taken to revaluation reserve (see note 28)	29	-	29	-
Taken to income & expenditure account (see note 11b)	25	73	25	73
At 31 July	892	838	942	888

Quoted investments held at 31 July 2011 are included at their stock market value. The valuations have been provided by College's investment managers, Cazenove Fund Management, based on stock market quoted prices at the year end date. As these valuations rose £54k during the year and now stand at £29k above original cost, £25k of the increase has been taken to the income and expenditure account, with £29k taken to Unrealised gains (see note 11b).

Included in investments is a subscriber share of £1 gifted to the College and representing the original share capital of Royal Agricultural College Enterprises Limited together with a further 49,999 shares purchased by the College in 2008/09. The principal activities of the subsidiary company are the provision of residential conference facilities and the carrying out of consultancy work. The subsidiary company is included in the consolidation and is registered in the UK.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

15. Other investments (continued)

	Group		College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Other investments are analysed as follows:				
Listed (at market value)	892	838	892	838
Unlisted (at cost)	-	-	50	50
At 31 July 2011	892	838	942	888
Historic cost				
At 31 July 2011 and 2010	857	857	907	907

The College owns 100% of the issued share capital of 50,000 (2010: 50,000) ordinary £1 shares of the Royal Agricultural College Enterprises Limited, a company registered in England and Wales, whose principal activities are UK-based conferences and worldwide consultancy. For a summary of the trading results of this subsidiary, see Note 6.

16. Investment in associated company

The College was a one third shareholder in an associated company, Cotswold Organic Lamb Limited., which commenced trading in December 2006 rearing organic lamb.

With effect from 30 November 2010, the College disposed of its shares in Cotswold Organic Lamb Limited to the remaining shareholders and received in exchange one third of the valuation of the net assets of the company.

The associated company prepares its financial statements up to 31 March each year. The College's share of the associated company's net losses (see Note 22) is based on the associated company's unaudited financial statements for the year ended 31 March 2010 and the management accounts for the eight months to 30 November 2010.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

17. Endowment assets

Group and College	2011 £'000	2010 £'000
At 1 August	165	165
Disbursed	(1)	-
At 31 July	164	165
Represented by:		
Cash balances	164	165

There were no additions to Endowment Assets during 2010/11.

The Endowments consist of the following:

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

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

18. Stocks

Group and College	Group		College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Farms' valuation				
Livestock	49	115	49	115
Produce	146	113	146	113
Stores	40	8	40	8
	235	236	235	236
Other stocks				
Food and drink	25	30	25	30
Stationery	23	23	-	-
Other	38	31	38	31
	86	84	63	61
	321	320	298	297

19. Debtors

	Group		College	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<i>Debtors receivable within one year:</i>				
Trade debtors	427	420	321	295
Prepayments and accrued income	761	433	755	421
Amounts due from group undertakings	-	-	326	206
Amounts due from associated company	-	13	-	13
	1,188	866	1,402	935

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

20. Creditors - amounts falling due within one year

	Group		College	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank overdrafts (note 21)	123	164	123	164
Secured loans (see note 21)	218	226	218	226
Payments received on account/in advance	273	349	273	349
Trade creditors	1,198	871	1,190	868
Student caution money deposits	161	145	161	145
Social security and other taxes	216	208	216	208
Other creditors	160	132	160	132
Accruals and deferred income	1,154	975	1,030	861
	3,503	3,070	3,371	2,953

21. Creditors - amounts falling due after more than one year

	Group		College	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Secured loans repayable by 2034 (see below)	3,617	3,825	3,617	3,825

Analysis of the bank overdraft and loans (included in Notes 20. & 21. above)

	Group		College	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Maturity of debt				
Repayable as follows:				
In one year or less	341	390	341	390
Between two and five years	1,535	914	1,535	914
In more than five years	2,082	2,911	2,082	2,911
	3,958	4,215	3,958	4,215

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

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

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

Description	Remaining term at year end	Interest Rate	Balance at year end £'000	Security provided
Consolidated Loan	6 Years	Base + 0.25%	818	1-3 Woodlands Hall
Vic Hughes Hall Loan	13 Years	3.637% fixed to Dec 2014	837	Vic Hughes Hall
Harnhill Manor Farm Loan	23 Years	6.290% fixed to Sept 2019	2,180	Harnhill Manor Farm

22. Provisions for liabilities

Group and College	2011 £'000	2010 £'000
At 1 August	76	57
Increase in Provisions	4	19
At 31 July	80	76
Purpose of Provisions		
Share of losses in associated company (note 16)	40	40
Dilapidations on onerous property leases	40	36
At 31 July	80	76

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

23. Deferred capital grants

Group and College	Funding Council £'000	Other Grants & Benefactions £'000	2011 Total £'000	2010 Total £'000
At 1 August				
- Buildings	864	252	1,116	935
- Equipment	45	13	58	72
	909	265	1,174	1,007
Cash Received				
- Buildings	716	-	716	298
- Equipment	-	150	150	10
	716	150	866	308
Released to income and expenditure				
- Buildings (see notes 1 & 4)	100	24	124	117
- Equipment (see notes 1 & 4)	15	8	23	24
	115	32	147	141
At 31 July				
- Buildings	1,480	228	1,708	1,116
- Equipment	30	155	185	58
Total	1,510	383	1,893	1,174

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

24. Endowments

Group and College	Capital £'000	Income £'000	2011 Total £'000	2010 Total £'000
Restricted Expendable Endowments				
At 1 August	152	13	165	165
Income for the year	-	-	-	1
Expenditure for the year	-	(1)	(1)	(1)
At 31 July	152	12	164	165

These endowment funds are held for the award of annual scholarships to students of the College. For further details of these and other student scholarships, see the College website at www.rac.ac.uk

25. Share capital	2011 £'000	2010 £'000
Authorised		
120 Ordinary shares of £10 each	1	1
Issued		
120 Ordinary shares of £10 each	1	1

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions

The College operates the following pension schemes:

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

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

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

This year the College paid additional contributions into the Scheme as follows: (i) £423k to provide a TPS under-pin giving academic members a choice at the point of retirement of taking the benefits earned since the College joined the public sector on either the RACPS or the TPS basis (ii) £100k over and above the recovery plan amount towards the past service deficit and for professional and administration costs.

Notwithstanding the Scheme closure to future accrual the College will continue to service the recovery plan at the rate agreed with the Trustees and the Pensions Regulator. Following the April 2009 actuarial valuation the 18 year recovery plan annual payment amounts to £400k. The next actuarial valuation is as at 6 April 2012 and this amount may then alter.

(b) Discretionary FSSU Supplementation Pension Scheme

The pensions of a small number of former employees are funded by a separate defined benefit scheme, but the College supplements these pensions through additional payments.

(c) Teachers' Pension Scheme (TPS)

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

(d) USS Pension Scheme

Two members of staff are members of the Universities Superannuation Scheme (USS), a defined benefit scheme; (2010: 1). The College offers membership of this Scheme to the governor appointed College Senior Executive. Under the definitions set out in FRS17, the USS is a multi-employer defined benefit pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the College has taken advantage of the exemption in FRS17 and has accounted for it as a defined contribution scheme.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

(e) Defined contribution schemes (GPP)

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

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

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

The pensions charge in the Financial Statements represents contributions made by the College to the scheme providers on behalf of its employees.

Charge in the income and expenditure account – all pensions

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

	2011 £'000	2010 £'000	2009 £'000
Defined benefit schemes			
CARE	369	417	360
FSSU supplemental scheme	64	62	58
TPS	238	-	-
USS	33	19	17
	704	498	435
Defined contribution schemes			
GPP: Aegon	111	-	-
GPP: Prudential	94	89	64
	205	89	64
Analysed as:			
Current service	557	525	441
Past service	352	62	58
	909	587	499

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

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

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

	2011 £'000	2010 £'000	2009 £'000
At the beginning of the year	(18,910)	(15,490)	(14,957)
Current service cost (Operating charge)	(369)	(417)	(360)
Interest cost	(1,012)	(969)	(957)
Employee contributions	(40)	(163)	(157)
Benefits paid	277	298	327
Actuarial gains/(losses)	84	93	709
Change in assumptions	(1,512)	(2,262)	(95)
At the end of the year	(21,482)	(18,910)	(15,490)

Reconciliation of Fair Value of Scheme Assets (CARE Only)

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

	2011 £'000	2010 £'000	2009 £'000
At the beginning of the year	14,353	11,437	11,632
Contributions by College	1,093	774	516
Contributions by employees	40	163	157
Benefits paid	(277)	(298)	(327)
Expected return on assets	899	760	744
Asset out/(under) Performance	(108)	1,517	(1,285)
At the end of the year	16,000	14,353	11,437

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

Reconciliation to Balance Sheet (CARE and FSSU)

	2011	2010	2009
	£'000	£'000	£'000
Present value of Scheme liabilities	(21,482)	(18,910)	(15,490)
Fair value of Scheme assets	16,000	14,353	11,437
Scheme deficits	(5,482)	(4,557)	(4,053)

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

	2011	2010	2009
	£'000	£'000	£'000
CARE	(5,080)	(4,168)	(3,676)
FSSU supplemental scheme	(402)	(389)	(377)
	(5,482)	(4,557)	(4,053)

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

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

Group and College	2011	2010	2009
Rate of increase in pensionable salaries	-	3.70%	3.75%
Rate of increase in pensions in payment – pre 06/04/97	3.00%	3.00%	3.00%
Rate of increase in pensions in payment – post 06/04/97	3.70%	3.60%	3.65%
Rate of increase in pensions in payment – post 01/04/03 (LPI)	3.60%	3.40%	3.45%
Rate of increase in pensions in payment – post 01/04/05 (LPI 2.5)	2.40%	2.40%	2.40%
Inflation rate (RPI)	3.60%	3.40%	3.45%
Inflation rate (CPI)	3.10%	2.90%	
Discount rate	5.25%	5.35%	6.25%
Cash commutation	25.00%	25.00%	25.00%
	PCA00MC	PCA00MC	PCA00MC
	0.50%	0.50%	0.50%
	floor	floor	floor
Mortality – active & deferred members			
	PCA00MC	PCA00MC	PCA00MC
	0.50%	0.50%	0.50%
	floor	floor	floor

The College has allowed for a 25% rate of cash commutation in the 2011 figures. This is based on the Scheme actual experience (20%) plus the greater flexibility offered to members by the Pensions Act 2004 (25% Revenue tax free limit) which creates a change in benefit structure.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

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

Group & College	Long term rate of return expected	Value at 31 July 2011 £'000	Long term rate of return expected	Value at 31 July 2010 £'000	Long term rate of return expected	Value at 31 July 2009 £'000
	2011 %	2011 £'000	2010 %	2010 £'000	2009 %	2009 £'000
Equities	7.00	-	7.00	-	-	-
Bonds	5.25	1,573	5.35	1,681	6.25	1,295
Gilts	3.60	2,691	4.00	2,029	4.40	1,200
Property	7.00	1,334	7.00	882	7.50	610
Dynamic Growth Fund/LDI Portfolio	7.00	9,814	-	9,879	7.20	7,949
Cash	0.50	588	0.50	(117)	2.00	383
Total market value of assets	6.02	16,000	6.26	14,354	6.40	11,437
Present value of scheme liabilities		(21,080)		(18,521)		(15,113)
Net pension deficit		(5,080)		(4,168)		(3,676)

The College's best estimate of the contributions expected to be paid by the employer in the year beginning 1 August 2011 is £400k to service the past service deficit.

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

	2011 £'000	2010 £'000	2009 £'000
Current service	81	417	360
Past service cost: TPS underpin	419	-	-
Past service credit: loss of final salary link	(131)	-	-
Total operating charge	369	417	360

The move from revaluing past service liability RPI to CPI produced a one off past service credit in 2010 that was recognized in the STRGL. The closure of the Scheme to future accrual in 2011 crystallised the final salary link as at September 2011 and has saved the Scheme £131k.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

Analysis of the amount (charged)/credited to other finance (costs)/income

	2011 £'000	2010 £'000	2009 £'000
Expected return on pension scheme assets	899	760	745
Interest on pension scheme liabilities	(991)	(945)	(933)
Net return	(92)	(185)	(188)

Movement in (deficit) of the CARE Scheme during the year

	2011 £'000	2010 £'000	2009 £'000
Deficit in the scheme at the start of the year	(4,168)	(3,676)	(2,945)
Movement:			
Current service cost (operating charge)	(369)	(417)	(360)
Contributions	1,093	774	516
Other finance charge	(92)	(185)	(188)
Actuarial gain/(loss) in STRGL resulting from the CARE Scheme	(1,544)	(664)	(699)
Deficit in the scheme at the end of the year	(5,080)	(4,168)	(3,676)

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

	2011 £'000	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	(108)	1,517	(1,284)
Experience gains and losses arising on the scheme liabilities	72	67	685
Changes in the assumptions underlying the present value of the scheme liabilities	(1,508)	(2,248)	(100)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses resulting from the CARE Scheme	(1,544)	(664)	(699)

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between the actual and expected return on scheme assets:					
Amount (£'000)	(108)	1,517	(1,285)	740	368
Percentage of scheme assets	(0.7%)	10.6%	(11.2%)	6.40%	3.30%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	72	67	685	73	-
Percentage of the present value of the scheme liabilities	(0.3%)	(0.40%)	(4.50%)	(0.50%)	(0.00%)
Total amount recognised in the income and expenditure amount					
Amount (£'000)	(1,544)	(664)	(699)	455	676
Percentage of the present value of the scheme liabilities	7.3%	3.60%	4.60%	(3.10%)	(4.70%)

The employer rate of contribution was increased to 20.7% from October 2009 as a result of the draft actuarial valuation carried out as at 5 April 2009 but after the revised valuation in April 2010 it was amended to 20.02% of pensionable salaries plus £400k per annum per the recovery plan to fund the past service deficit over 18 years. Since closure to future accrual in September 2011 the only continuing contribution is the £400k per annum as required by the recovery plan.

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

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

Discretionary FSSU Supplementation pension scheme

The scheme is unfunded and its deficit amount has been based on an actuarial valuation at 31 July 2011

The assumptions having the most significant effect on the calculation of the provision are that future interest rates will average 5.25% (2010: 5.35%) per annum and that the rate of increase in pensions in payment will be 3.6% (2010: 3.40%) per annum.

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

Group & College	Value at 31 July 2011 £'000	Value at 31 July 2010 £'000	Value at 31 July 2009 £'000
Total market value of assets	-	-	-
Present value of scheme liabilities	(402)	(389)	(377)
Net pension deficit	(402)	(389)	(377)

Analysis of the amount (charged) to other finance (costs)

	2011 £'000	2010 £'000	2009 £'000
Expected return on pension scheme assets	-	-	-
Interest on pension scheme liabilities	(21)	(24)	(24)
Net return	(21)	(24)	(24)

Movement in FSSU surplus/(deficit) during the year

	2011 £'000	2010 £'000	2009 £'000
Deficit in the scheme at the start of the year	(389)	(377)	(380)
Movement:			
Current service cost	-	-	-
Contributions	-	-	-
Other finance income / (expense)	(21)	(24)	(24)
Actuarial gain/(loss) in STRGL resulting from the FSSU	8	12	27
Deficit in the scheme at the end of the year	(402)	(389)	(377)

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between the actual and expected return on scheme assets:					
Amount (£'000)					
Percentage of scheme assets	0.0%	0.0%	0.0%	0.0%	0.0%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	12	26	22	43	26
Percentage of the present value of the scheme liabilities	3.0%	7.0%	6.0%	11.0%	7.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	8	12	27	30	31
Percentage of the present value of the scheme liabilities	2.0%	3.0%	7.0%	8.0%	8.0%

Teachers' Pension Scheme (TPS)

The College had 49 members of the TPS in 2011; (2010:0).

The College has set out below the information available on the Scheme and the implications for the College in terms of the anticipated contribution rates.

The employer's contribution rate for the College's academic staff was 14.1% of pensionable salaries from 1 October 2010 to 31 July 2011.

The total pension contributions made by the College in respect of its current employees were £238k; (2010: £nil).

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

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008 and as part of the cost-sharing agreement between employers and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employers' contributions payable.

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

A copy of the Government Actuary's 2004 valuation report and 2006 interim valuation report can be found on the TeacherNet website at www.teachernet.gov.uk/pensions.

The Government set up the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton to make recommendations on how such pensions can be made sustainable and affordable, whilst remaining fair to the workforce and other taxpayers.

The IPSPC published its [interim report](#) on pension reform in October 2010. That report recommended that increased longevity and the imbalance between employer and employee contributions are strong reasons to make short-term changes to pension contributions pending a more fundamental re-design of the schemes.

The Government has accepted that there is a rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and members and is therefore proposing to increase member contribution rates from April 2012.

On 19 July 2011 the Chief Secretary to the Treasury (CST) set out the principles that would apply to increases in contributions for members of unfunded public service pension schemes, including the Teachers Pension Scheme (TPS). On 28 July, the Department for Education issued a consultation which sets out the proposals for how those principles will be applied to the TPS, and is seeking views on whether the proposed contribution tiers meet the Government's principles. It is proposed

- To introduce a system of tiered contributions in 2012-13, meaning that those earning the most pay the highest percentage point increase, and protect the lowest earners

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

- The current member contribution rate is 6.4% of salary. The proposed contribution rates for 2012-13, on which the Department is consulting would see no increase in the employee rate of 6.4% for those earning less than £15k and an increase to 8.8% for the highest earners

Under these proposals most College lecturers would see their contributions rise to 7.6% or 8% of salary.

USS (Universities Superannuation Scheme)

The College 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 College 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 2008. This was the first valuation for USS under the new 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 carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 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 (ie 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

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

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 22.8 (24.8) years

Males (females) currently aged 45 24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the schemes' technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the on-going cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010, to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new re-valued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. 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:

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at valuation)	Increase by £1.6 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 trustee believes 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 strong 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 on-going 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 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.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

26. Pensions (continued)

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the College had 2 active members participating in the scheme.

The total pension cost for the institution was £33k (2010: £19k). There were no (2010: £0k) prepaid/outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

27. Income and expenditure account reserve

Group and College	2011 £'000	2010 £'000
At 1 August	6,625	6,973
Surplus for the year	1,185	281
Actuarial (loss) for the year from CARE and FSSU Pension Schemes (see note 26)	(1,447)	(652)
Release from Revaluation Reserve (see note 28)	25	23
Balance at 31 July	6,388	6,625

Included in the above income and expenditure account reserve at 31 July 2011 is £0.3k (2010: £0.3k) relating to the Company's trading subsidiary, the Royal Agricultural College Enterprises Limited.

Balance represented by:	2011 £'000	2010 £'000
Income & expenditure reserve excluding pension reserve	11,870	11,182
Pension reserve (see note 26)	(5,482)	(4,557)
Balance at 31 July	6,388	6,625

28. Revaluation reserve

Group and College	Investment 2011 £'000	Tangible fixed assets for investment purposes 2011 £'000	Tangible fixed assets for College use 2011 £'000	Total 2011 £'000	Total 2010 £'000
At 1 August	6	982	2,116	3,104	1,104
Net movement in unrealised gains on investments (see Note 15)	29	-	-	29	-
Asset revaluation in year (see notes 13 & 14)	-	-	25	25	2,023
Release in year to Revenue Reserve (see note 27)	-	-	(25)	(25)	(23)
At 31 July	35	982	2,116	3,133	3,104

For underlying assets, see note :- (15) (14) (13)

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

29. Access funds

Group and College	2011 £'000	2010 £'000
Balance unspent at 1 August	3	4
Funding council grants	10	9
	13	13
Disbursed to students	(7)	(10)
Balance unspent at 31 July	6	3

Access funds are provided by the Higher Education Funding Council for England and are used to pay supplementary grants to students. The College acts as a paying agency only and therefore the receipts and payments are excluded from the College's income and expenditure account.

30. Reconciliation of surplus before tax and profit on disposal of assets to net cash inflow from operating activities

Group	2011 £'000	2010 £'000
Surplus for the year	1,185	281
Investment income	(31)	(57)
Interest receivable	(32)	(2)
Interest payable	184	156
Depreciation on tangible assets for college use	740	695
Loss/(profit) on sale of tangible assets for college use	10	(25)
(Profit) on fixed asset investments	(25)	(73)
Capital grants released to income	(147)	(141)
(Increase)/decrease in stocks	1	150
(Increase)/decrease in debtors	(322)	272
Increase in creditors	481	397
Increase in provisions	4	19
FRS 17 pension adjustment	(522)	(148)
Net cash inflow from operating activities	1,526	1,524

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

31. Financing

Group and College	2011 £'000	2010 £'000
New secured loan started in year	-	2,250
Principal repayments on secured loans	(216)	(221)
Net (decrease)/increase in secured borrowing	(216)	2,029

32. Analysis of changes in net (debt)/ funds

Group	2010 £'000	Cash flow £'000	Other Movement £'000	2011 £'000
Cash at bank and in hand	4,148	(836)	-	3,312
Endowment bank accounts	165	(1)	-	164
Bank overdraft	(164)	41	-	(123)
Bank accounts and cash	4,149	(796)	-	3,353
Bank loans due within one year	(226)	226	(218)	(218)
Bank loans due after one year	(3,825)	(10)	218	(3,617)
	98	(580)	-	(482)

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

33. Capital commitments

Provision has not been made for the following capital commitments at 31 July 2011:

Group and College	2011 £'000	2010 £'000
Commitments contracted	3,584	2,088
Authorised but not contracted	-	3,979
	3,584	6,067

In 2010/11, work commenced on the redevelopment of West Lodge (£3,584k)

34. Other financial commitments

At 31 July 2011 the College had annual commitments under non-cancellable operating leases as follows:

Group and College	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	4	3	4	5
Expiring between two and five years inclusive	-	16	-	14
Expiring in over five years	47	-	47	-
	51	19	51	19

See notes 13 and 26 for details of a charge on two of the property assets of the College to the defined benefit pension scheme.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

35. Contingent liabilities

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

- As part of the purchase of Harnhill Manor Farm in September 2009, the College signed a side letter to the vendor undertaking that, should the College sell the property within 5 years of purchase, it would pay the Trustees 50% of the difference in value between the purchase and sales prices and 25% of such difference for any sales in years 6 to 8 inclusive. Based on the Moore Allen Innocent valuation of the property dated 18 February 2009, these contingent liabilities are valued at £1m and £0.5m respectively;
- As at 31 July 2011 the College only has two active members of the USS superannuation scheme and under the s75 Employer Debt Regulations, the College would be liable should those members cease to be active and not be replaced by others. As at 23 June 2011 USS estimated the amount of any liabilities to be between £67k and £135k based on the most recent Scheme solvency ratings of 80% and 60% respectively (2010: between £50k and £101k). See note 26.
- The College's teaching staff became eligible for membership of the Teachers Pension Scheme on 1 August 2001 but they did not join until 1 October 2010. The College believes it has taken reasonable steps to mitigate the risk of any potential liabilities arising by paying the RAC Pension Scheme Trustees £423k during 2010/11 to guarantee an underpin to the RAC Scheme for each of these active members as at the date of Scheme closure. This underpin comes into force at the date each individual retires and offers a choice as to the scale of benefits (TPS or RAC) on which pensionable service between August 2001 and September 2010 is paid out. It is not possible to quantify any residual potential liabilities that might subsist at the present time.

36. Post balance sheet events

There are none.

37. Related party transactions

(a) Exemption

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

(b) Pension scheme and Life Cover Trust

The Royal Agricultural College Pension Scheme and Life Cover Trust are related parties by definition. The amount owed by The Royal Agricultural College to the pension scheme at the year end was £Nil (2010: £Nil). The amount owed by the Royal Agricultural College to the Life Cover Trust at the year end was £Nil (2010: £Nil).

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

(c) Transactions with organisations related to governors

Lord Apsley acceded to the title The Earl Bathurst on 16 October 2011. The Earl Bathurst is a beneficiary of the Earl Bathurst Estate Settlement 1963 that owns Fosse Hill Farm and Field Farm Barn which are rented by the College at £27,500 for 2011 (2010: £26,500). Normal gross business sales to Bathurst Estate amounted to £Nil in 2011 (2010: £25) Normal gross business purchases from Bathurst Estate amounted to £27,500 in 2011 (2010: £33,002). In addition, The Earl Bathurst is a Director of Michaelmas Farming Limited which owns Manor Farm, Coates which is leased by the College at £19,300 for 2011 (2010: £19,300). There were no other normal gross business purchases in either year. The Earl Bathurst is also a Director of Cotswold Country Fair. Normal business sales to Cotswold Country Fair amounted to £120 (2010: £Nil); gross business purchases amounted to £Nil in 2011 (2010: £505).

Prof Patricia Broadfoot is employed by Bristol University on a 20% professorial contract. Normal gross business sales to Bristol University amounted to £Nil in 2011 (2010: £33,789). Normal gross business purchases from Bristol University amounted to £Nil in 2011 (2010: £Nil). In addition, Prof Broadfoot is chair of the Governing Board of "Understanding Society" for the Economic and Social Research Council. (ESRC) Normal gross business sales to ESRC amounted to £Nil in 2011 (2010: £Nil). Normal gross business purchases from ESRC amounted to £Nil in 2011 (2010: £Nil).

Mr Anthony Colburn is a Non-Executive Director of Kemble Farms Limited. Normal gross business sales to Kemble Farms Limited amounted to £10,100 in 2011 (2010: £89). Normal gross business purchases from Kemble Farms Limited amounted to £60,539 in 2011 (2010: £60,077).

Prof Colin Dennis is a member of the Gloucestershire Development Agency. Normal gross business purchases from Gloucestershire Development Agency amounted to £Nil in 2011 (2010: £114). In addition, Prof Dennis is a member of the Countryside & Community Research Institute. Normal gross business sales to the Countryside & Community Research Institute amounted to £29,440 in 2011 (2010: £8,300). Prof Dennis is a Board Member of the National Skills Academy/Improve Limited. Normal gross business sales to National Skills Academy/Improve Limited amounted to £2,763 in 2011 (2010: £Nil). Normal gross business purchases from National Skills Academy/Improve Limited amount to £5,000 in 2011 (2010: £Nil).

Miss Caroline Drummond is Chief Executive of LEAF, and a Director of Leaf Marque. Normal gross business sales to LEAF amounted to £1,230 in 2011 (2010: £Nil). Normal gross business purchases from LEAF amounted to £640 in 2011 (2010: £206). In addition, Miss Drummond is a Board Member and Trustee of Rothamsted Research. Normal gross business purchases from Rothamsted Research amounted to £650 in 2011 (2010: £Nil). Miss Drummond is also a Trustee of the Campaign to Protect Rural England (CPRE). Normal gross business purchases amounted to £34 in 2011 (2010: £32).

Prof Richard Ellis is Dean of the Faculty of Life Sciences at the University of Reading. Normal gross business purchases from the University of Reading amounted to £4,462 in 2011 (2010: £800).

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

Mr Jeremy Lewis is a Non-Executive Director of the National Institute of Agricultural Botany. Normal gross business sales to the National Institute of Agricultural Botany amounts to £92 in 2011 (2010: £Nil). Normal gross business purchases from the National Institute of Agricultural Botany amounted to £317 in 2011 (2010: £292). In addition, Mr Lewis is also a member of the audit committee for the Royal Agricultural Society of England. Normal gross business purchases from the Royal Agricultural Society of England amounted to £70 in 2011 (2010: £1,121). Mr Lewis is also a Trustee of the Royal Agricultural Benevolent Institution. Normal gross business sales to the Royal Agricultural Benevolent Institution amounted to £1,876 in 2011 (2010: £Nil).

Mr Richard Macdonald is a Fellow of the Royal Agricultural Society. Normal gross business purchases from the Royal Agricultural Society amounted to £70 in 2011 (2010: £1,121). In addition, Mr Macdonald is also a Non-Executive Director of the National Institute of Agricultural Botany. Normal gross business sales to the National Institute of Agricultural Botany amounted to £92 in 2011 (2010: Nil). Normal gross business purchases from the National Institute of Agricultural Botany amount to £317 in 2011 (2010: £292). Mr Macdonald is also a Trustee of Farm Africa. Normal gross business sales for Farm Africa amounted to £Nil in 2011 (2010: £54). Mr Macdonald is also a Non-Executive Director of Dairy Crest. Normal gross business sales to Dairy Crest amounted to £3,000 in 2011 (2010: £1,000). Normal gross business purchases from Dairy Crest amounted to £14,977 in 2011 (2010: £18,154).

Mr Jeremy Moody is Secretary & Advisor to the Central Association of Agricultural Valuers (CAAV). Normal gross business sales to CAAV amount to £5,783 in 2011 (2010: £Nil). Normal gross business purchases from CAAV amounted to £395 in 2011 (2010: £355)

Mr Philip Moody is a Non-Executive Director of Openfield Group Limited which was formed from the merger of Centaur Grain Limited with Grainfarmers Limited. Normal gross business sales to Openfield amounted to £725 in 2011 (2010: £90,590). Normal gross business purchases from Openfield amounted to £Nil in 2011 (2010: £9,734). In addition Mr Moody is a Director of Smith & Williamson Limited. Normal gross business sales to Smith & Williamson amounted to £Nil in 2011 (2010: £56).

Mrs Karen Morgan was past Chair of Governors and Pro Chancellor of the University of West England during 2010. Normal gross business sales to the University of West England amounted to £13,371 in 2011 (2010: £12,640)

Mr Chris Musgrave is Managing Director of Musgrave Management Systems Limited. Normal gross business sales to Musgrave Management Systems amounted to £100 in 2011 (2010: £Nil).

Prof M Osbaldeston is an Emeritus Professor at Cranfield University School of Management. Normal gross business purchases from Cranfield University School of Management amounted to £23 in 2011 (2010: £Nil).

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

Mr Simon Pott is past President of a Royal Institution of Chartered Surveyors' (RICS). Normal gross business sales to RICS amounted to £28,781 in 2011 (2010: £43,125). Normal gross business purchases from RICS amounted to £4,105 in 2011 (2010: £5,645). He was also, as Chairman of Governors, Chairman of the Geoffrey Cragghill Memorial Trust until 29 July 2011 (see (g) below).

Mr Julian Sayers is a Court Assistant to The Worshipful Company of Farmers. Normal gross business sales to The Worshipful Company of Farmers amounted to £73,971 in 2011 (2010: £64,116). In addition Mr Sayers is Chairman of the Royal Agricultural Benevolent Institution. Normal gross business sales to Royal Agricultural Benevolent Institution amounted to £1,876 in 2011 (2010: Nil). Mr Sayers is a Trustee of the National Federation of Young Farmers Clubs. Normal gross business purchases from National Federation of Young Farmers Clubs amounted to £520 in 2011 (2010: Nil). Mr Sayers is also a Trustee of the Farming and Wildlife Advisory Group Limited. Normal gross business purchases from Farming and Wildlife Advisory Group Limited amounted to £275 in 2011 (2010: Nil).

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

(d) Transactions with organisations related to College Senior Management.

Mr Graham Barton is related to Mr C Barton; normal gross business purchases from C Barton amounted to £Nil in 2011 (2010: £1,160). Mr Barton is also a member of the band "Gotcha" that received £Nil in 2011 for performances at College balls (2010: £1,250). A member of that band trades as Lefnevar Limited which provides fire safety work to the College. Normal business purchases from Lefnevar amounted to £25,369 in 2011 (2010: £35,780).

Mrs Theresa M Chapman is a committee member of the Beagle Club which holds its annual championship show at the College each summer. Normal gross business sales to the Beagle Club amounted to £770 in 2011 (2010: £730). In addition, Mrs Chapman is connected to Phil Keen Decorating. Normal gross business purchases from Phil Keen Decorating amounted to £Nil in 2011 (2010: £4,080). She was also by virtue of her position as Director of Finance a trustee of the Geoffrey Cragghill Memorial Trust until 29 July 2011 (see (g) below).

Mr David Cox is a voluntary member of an advisory committee of National Trust. Normal gross business sales to the National Trust amounted to £2,300 in 2011 (2010: £2,150). Normal gross business purchases from the National Trust amounted to £25 in 2011 (2010: £102).

Prof William P Davies is Vice Chairman and trustee of the African Fellowship Trust (AFT), registered charity number 1120786, which provides bursaries to fund Fellows from Africa to come to the College to undertake a programme of work experience, professional networking including study on the Masters Degree course in International Rural Development. In 2010/11 10 AFT Fellows came to the College (2009/10: 8) with funding from private sector sponsors through the Trust amounting to £230k in 2010/11 and £108k in 2009/10. 3 Fellows are expected in 2011/12. Normal gross business sales for the African Fellowship Trust amounted to £1,800 in 2010/11 and £1,289 in 2009/10. This was primarily to fund a

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

related Africa Programme Administrator post within the College. Prof Davies is not a beneficiary of the Trust and receives no remuneration for his work from the Trust.

Prof Chris J Gaskell was Chairman of the Department of the Environment, Food and Rural Affairs' Science Advisory Council (DEFRA SAC) until March 2011. Normal gross business sales to DEFRA amounted to £1,797 in 2011 (2010: £3,486). In addition, Prof Gaskell was also Chairman of the Biotechnology and Biological Science Research Council's Sustainable Agriculture Strategy Panel (BBSRC SAP) until August 2011. There was no trading with BBSRC in 2011 or 2010. Prof Gaskell is a past pro vice chancellor at the University of Liverpool and his wife, Prof R M Gaskell, continues as a Research Professor in the University's school of veterinary science. Normal gross business sales amounted to £Nil in 2011 (2010: £555). By virtue of his position as Principal of the College, Prof Gaskell was also a trustee of the Geoffrey Craghill Memorial Trust until 29 July 2011 and is still a trustee of the Sir Emrys Jones Trust (see (g) below).

Mr Simon King is a Director of RAGS Entertainment Limited. Normal gross business sales to RAGS Entertainment Limited amounted to £Nil in 2011 (2010: £226). Normal gross business purchases from RAGS Entertainment Limited amounted to £100 in 2011 (2010: £343). Mr King is related to Joy King who provides garden services. Normal gross business purchases from Joy King amounted to £336 in 2011 (2010: £Nil).

Mrs T North is related to Mr R North (electrician). Normal gross business purchases from Mr R North amounted to £16,484 in 2011 (2010: £5,467). Mrs North is also related to an owner of Mizon Builders Limited. Normal gross business purchases from Mizon Builders Limited amounted to £172 in 2011 (2010: £2,300). Mrs North is also a consultant for L'astrolabio, an educational and language course organisation based in Milan, Italy. Normal gross business sales amounted to £528,420 in 2011 (2010: £619,633).

(e) Farming operations

Following the cessation of a five year contract with Agrarian Management Services Limited ("AMS") to carry out the arable farming operation under the direction of the College and a subsequent tendering exercise managed by Moore Allen and Innocent under the auspices of the Public Contract Regulations 2006, the non-organic arable work at Coates was awarded to Kemble Farms Limited and the organic work at Harnhill was awarded to T E Lander. Both contracts are for 3 years and run from 29 September 2009. The position of Mr A Colburn, director and trustee of the College who chairs the Farms Board, as a non-executive director of Kemble Farms Limited is noted. Mr Colburn took no part in the tender process whatsoever.

(f) The Royal Agricultural College Beagles

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

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

In recognition of this the College made a donation to them of £5,000; (2010: £5,000). Normal business sales to the RAC Beagles amounted to £9,547 (2010: £4,456). There were no business purchases from the RAC Beagles in either of the two years.

(g) Related Charities

The College is linked to the following charities:

The African Fellowship Trust, registered charity number 1120786, was set up in 2007 to permit African students to advance their education in sustainable development and protection of the environment by studying for a masters programme at the College. The Fellows are fully funded by the charity. The charity accounts for the year ended 30 September 2010 show income of £184,113 (2009: £230,032) and expenditure of £192,744 (2009: £224,448) with a fund deficit of £2,235 (2009: positive fund £6,396). More recent accounts are not available.

The Geoffrey Cragghill Memorial Trust, registered charity number 1041148, was set up in 1994 in memory of Geoffrey Cragghill a popular College lecturer in the School of Agriculture to provide scholarships to past or current College students in the subject area of animal production or field sports. Its trustees were all College officers or governors. The charity accounts for the year ended 31 December 2010 show income of £78 (2009: £153) and expenditure of £1,000 (2009: £1,000) with fund values of £30,598 (2009: £31,250). On 29 July 2011 the charity wound up and was removed from the Charity Commission register after a decision by the Trustees to donate all its funds (£30k) to the Royal Agricultural College to support and enhance student learning through the provision of scholarships which will continue to be known as "Geoffrey Cragghill Scholarships".

The Sir Emrys Jones Memorial Trust, registered charity 1105861, was set up in 2004 in memory of Sir Emrys Jones, Principal of the College for 1974 to 1979, to provide financial assistance by way of fees or maintenance grants to students from Wales (whether by origin or residence) who are in need of financial assistance to attend College. Without it being binding, the Trustees understand the benefactor's wish that priority should be given to students reading agriculture or related subjects. The charity accounts for the year ended 31 March 2010 show income of £5,890 (2009: £6,836) and expenditure of £6,522 (2009: £14,700). Fund values cannot be obtained from the Charity Commission website. More recent accounts are not available.

The Royal Agricultural College

Notes to the consolidated financial statements for the year ended 31 July 2011 (continued)

37. Related party transactions (continued)

(h) Cotswold Organic Lamb Limited

During 2006, the College purchased a one-third shareholding in Cotswold Organic Lamb Limited (COL) upon incorporation. Prof J Alliston, the then Dean of the School of Agriculture (to July 2010) and subsequently College Development Director, joined the board as the College's nominee director on 7 July 2009 and resigned from the board on the College's disposal of its shares with effect from 30 November 2010.

For the year ended 31 July 2011, normal commercial purchases from COL were £59,409 (2010 £59,409); normal business sales to COL were £26,282 (2010 £43,869). Sales income not yet received from COL at 31 July 2011 was £Nil (2010 £12,874).

38. Provision for loss on operations to be discontinued

Following the decision made last year to leave Cotswold Organic Lamb Limited, provision was made in those financial statements for the following costs which resulted directly from that decision:-

	2011	2010
	£'000	£'000
Write off of start-up capital loan	-	25
	<hr/>	<hr/>
	-	25